

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

SUNSET ROOM
HOLLYWOOD PARK RACE TRACK
1050 S. PRAIRIE AVENUE
INGLEWOOD, CALIFORNIA

MONDAY, NOVEMBER 27, 2006
9:00 A.M.

Reported by:
Troy Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

Marie G. Moretti, Vice Chairperson

John Amerman

John Andreini

William A. Bianco

John C. Harris

Jerry Moss

STAFF

Ingrid J. Fermin, Executive Director

Jacqueline Wagner, Staff Services Manager I

Derry L. Knight, Deputy Attorney General

ALSO PRESENT

Scott Daruty, XpressBet

Richard Castro, Pari-Mutuel Employees Guild, Local 280

Drew Couto, President, Thoroughbred Owners of California

Michael Robertson

David Nathanson

John Hindman

Shawn Egide

Mark Egide

Charles Schick

Frank Dimarco

Dave Elliott

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APPEARANCES CONTINUED

ALSO PRESENT

Jim Perez

Peter Tunney

George Haynes

Rick English

Dwayne Manley, Jockey's Guild

Chris Gibbs

Cliff Goodrich

Daniel White

Sherwood Chillingworth

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1 PROCEEDINGS

2 EXECUTIVE DIRECTOR FERMIN: If I could have your
3 attention, because a lot of people are probably late because
4 of the weather, with traffic and/or air travel, ordinarily
5 we would go to closed session afterward, but we thought
6 maybe we'd go and do that, now, and give people a chance to
7 arrive, and then come back up.

8 So I'm going to go ahead and call the meeting to
9 order and then we will recess while we go down to closed
10 session.

11 Ladies and gentlemen, will the meeting come to
12 order. This is a Regular Meeting of the California Horse
13 Racing Board on November the 27th, 2006, at Hollywood Park,
14 1050 S. Prairie Avenue, Inglewood, California.

15 Present at today's meeting, we have Chairman
16 Richard Shapiro, Vice Chairman Marie Moretti, Commissioner
17 John Amerman, Commissioner John Andreini, Commissioner John
18 Harris, and Commissioner Jerry Moss.

19 We'll be going into closed session at this time,
20 so we'll take a recess and be back, hopefully, soon.

21 (Thereupon, the Board adjourned to
22 convene the Closed Session at 9:07 a.m.
23 and reconvened into Open Session at
24 10:07 a.m.)

25 EXECUTIVE DIRECTOR FERMIN: I want to thank

1 everybody for coming and it was good that we could get our
2 closed session behind us.

3 Before we go on, I'd like to remind everyone that,
4 for the court reporter, please state your name clearly, and
5 it's always handy if he gets a business card so that we have
6 all the names and everything properly.

7 And at this time I'll turn it over to Chairman
8 Richard Shapiro.

9 COMMISSION CHAIRPERSON SHAPIRO: Good morning to
10 everybody. Because of the weather, we got the Executive
11 Session out of the way and allowed some people to arrive.

12 What I'd like to do is I would like to take some
13 items out of order because there have people that have
14 called and there are some time constraints because we did
15 change this meeting to today.

16 So with that, what I would like to do is start out
17 with Item Number 10, 11, 12 and 13, which are the ADW items.

18 COMMISSIONER HARRIS: Well, we can break for lunch
19 after those.

20 COMMISSION CHAIRPERSON SHAPIRO: Thank you,
21 Commissioner Harris.

22 The first one up is Number 10, which will be the
23 discussion and action by the Board on the Application for
24 License to Conduct Advanced Deposit Wager of XpressBet. If
25 the people from XpressBet perhaps would come to the table,

1 it will be easier after Jackie wants to make her
2 introduction.

3 And the lights went off. Does anybody know why
4 the lights went off? Is there anybody here from Hollywood
5 Park that can turn the lights on?

6 (Off-record conversation.)

7 COMMISSION CHAIRPERSON SHAPIRO: Please, I'm going
8 to remind you all that if you wish to speak, please fill out
9 the cards which are at the front of the table here, and make
10 sure that they're brought to us.

11 I see Wendy is here, she's got them right there.

12 Jackie, why don't you start while they figure out
13 how to get us back under light. They did it. Thank you.

14 Jack, much appreciated. We won't take that as a
15 political commentary.

16 STAFF SERVICES MANAGER WAGNER: Good morning,
17 Commissioners. Jacqueline Wagner, CHRB Staff.

18 The application before you is for the Approval to
19 Conduct Advanced Deposit Wagering by XpressBet. They have
20 filed an application to conduct ADW as an out-of-state,
21 multi-jurisdictional wagering hub.

22 They are currently licensed through December 31,
23 2006 as an out-of-state. They are proposing to operate from
24 January 1, 2007 through December 31st, 2007 during all times
25 races are run, which could be up to 24 hours a day.

1 They are applying for a one-year license, as the
2 statutory authority is set to sunset for ADW on December
3 31st, 2007.

4 XpressBet will provide ADW services for Bay
5 Meadows, CARF, Sac Harness at Cal-Expo, Los Alamitos Turf,
6 Los Angeles Turf Club, at Santa Anita, the Pacific Racing
7 Association at Golden Gate Fields, Del Mar, and the Los
8 Angeles County Fair at Fairplex.

9 They currently have contracts and Horsemen's
10 approvals that extend through December 31st. The items
11 missing from this application are contracts for 2007, the
12 Horsemen's agreement for Thoroughbred Owners of California,
13 and the Horsemen's agreement for the California Harness
14 Horsemen's Association.

15 I did just receive contracts from, it looks like,
16 Los Angeles Turf Club. If the representatives from
17 XpressBet would come forward, they could help me with these
18 contracts.

19 COMMISSIONER HARRIS: You know, it's really
20 bothersome that we don't have these in our package. When
21 these items come before our Board, we should really have
22 these agreements so we can better ascertain the specifics of
23 what's going on here.

24 STAFF SERVICES MANAGER WAGNER: I have just
25 received the contracts for LATC, it looks like, Bay Meadows,

1 and Golden Gate Fields, and Santa Anita.

2 MR. DARUTY: I'd address --

3 COMMISSION CHAIRPERSON SHAPIRO: You want to state
4 your name?

5 MR. DARUTY: Yes, Scott Daruty. Okay, Scott
6 Daruty, on behalf of XpressBet.

7 And to address Commissioner Harris's concern, I
8 understand, normally, when you're approving licenses for a
9 race meet it's done within usually a few weeks or, at most,
10 a month prior to the start of the race meet. For example, I
11 think the LATC race meet application is on the agenda for
12 today and, of course, our meet starts in about four weeks.

13 At that point it does make sense to have the
14 simulcast agreements actually signed.

15 When licensing the ADW companies, the issue and
16 the difficulty we face is we're asking for a license for
17 next year, yet a lot of the content we're going to be
18 carrying, for example CARF doesn't start running for six
19 months, and so the process of getting the simulcast
20 agreements, you know, we don't have their people really
21 working on it. We've tried to get it. Obviously, we got
22 them for Bay Meadows and our two tracks, LATC and Golden
23 Gate Fields. But that's why those agreements, you know,
24 just in the normal course of running the business typically
25 aren't done until closer to the time that those meets start

1 to run.

2 COMMISSIONER HARRIS: How about the Horsemen's
3 agreements?

4 MR. DARUTY: We do have an agreement with the
5 Horsemen and I apologize, if that paperwork wasn't
6 submitted, that's my oversight. And I'm sure, Mr. Couto's
7 here today, and could speak to that. But that was done and
8 I thought we'd addressed that at the last meeting, when we
9 did say that we had that agreement.

10 COMMISSION CHAIRPERSON SHAPIRO: I believe you did
11 say that. Let me ask you a question, when you're taking
12 wagering throughout the year, if you're taking wagering on a
13 thoroughbred race meet, do you use -- what I'm getting at is
14 are you using the same breed, the license between the
15 thoroughbred TOC so that it applies to a thoroughbred
16 signal, and is there an agreement in place with the harness
17 people, if it's a harness signal?

18 MR. DARUTY: Yes, the way we have always done it,
19 because this was our understanding of the law, was that you
20 would have to have a contract with the particular breed. So
21 we would have a contract in place with the Harness
22 Association, and I believe our contract runs actually
23 through March of next year with the Harness Association, and
24 then that would be extended so that it runs through the
25 balance of 2007.

1 And we would also have a contract with a
2 thoroughbred race meet at all times. And that gets in a
3 little bit to the issue that I spoke about earlier. For
4 example, during the summer the thoroughbred meet that we
5 would have our contract with would be CARF, but it's a
6 little bit of a challenge to go to CARF today and say we'd
7 like to do our simulcast agreement for you meet that doesn't
8 start for six months.

9 But to answer your question, we've always had both
10 thoroughbreds for the day and harness for the night.

11 COMMISSION CHAIRPERSON SHAPIRO: Okay. And so
12 then let's say that you're not -- because going to
13 Commissioner Harris's point, which we can all think back to
14 what occurred about this time last year, we don't want to be
15 in the position where there's an ADW license out there, but
16 you don't have an agreement with the particular track or the
17 Horsemen.

18 Now, would you accept that your license is
19 conditioned upon submitting to this Board that you have
20 those agreements 30 days before the meet, or something like
21 that, so that we're not put into an uncomfortable position?

22 MR. DARUTY: Yeah, that was --

23 COMMISSION CHAIRPERSON SHAPIRO: Would that
24 accomplish --

25 COMMISSIONER HARRIS: Well, I think also if during

1 the time that license was in effect the agreement was with a
2 same breed, like if you're -- for instance, in the summer,
3 when you are not operating at Golden Gate Fields or Santa
4 Anita, you would be able to be in the thoroughbred business
5 because of CARF.

6 But say, for instance, you could not work out
7 something with CARF, you would not be able to bring
8 thoroughbred races in.

9 COMMISSION CHAIRPERSON SHAPIRO: Yeah, in other
10 words they wouldn't --

11 COMMISSIONER HARRIS: The Harness wouldn't do it,
12 basically.

13 COMMISSION CHAIRPERSON SHAPIRO: Right. In other
14 words, you couldn't use your agreement with Harness, which
15 would allow you to take the thoroughbred signal, you have to
16 have an agreement with the thoroughbred people.

17 MR. DARUTY: That was always my understanding of
18 how the law worked, anyhow, and that's what we have always
19 done. And if you're saying that you would make that a
20 condition of our license --

21 COMMISSION CHAIRPERSON SHAPIRO: Yes.

22 MR. DARUTY: -- so long as that was a condition
23 that was imposed on all ADW companies that were licensed in
24 California, that would be fine.

25 We would not like to be in a position where we

1 have a condition imposed upon our license that is not
2 imposed upon others.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay. Okay, let
4 me ask another question. I mean, I saw over the weekend,
5 and this isn't pertaining necessarily to you, but I think
6 you're in the same business, I saw the Japan Cup, which was
7 on TVG, and they did a spectacular job with it. How do our
8 horse -- are you taking international signals, now?

9 MR. DARUTY: Yes, we are.

10 COMMISSION CHAIRPERSON SHAPIRO: How, if you're
11 taking a thoroughbred signal that's international, how do
12 our horsemen benefit from that, how do they benefit from
13 there?

14 MR. DARUTY: Well, it would be treated as any
15 other wager. In other words, the ADW company that accepts
16 the wager in California would receive a hub fee, and then
17 the balance of the money would be essentially a source
18 market fee, under California law, that gets split between
19 the horsemen and the track.

20 COMMISSIONER HARRIS: So far as an international
21 race would be the same as a race in some other state? In
22 other words, there's no separate type rates for
23 international versus just out-of-state races.

24 MR. DARUTY: That's correct.

25 COMMISSION CHAIRPERSON SHAPIRO: And is that

1 something that is agreed to with the Horsemen, so that it
2 comes -- so that our Horsemen, in California, benefit, is
3 that something that they've agreed to?

4 MR. DARUTY: Well, I don't know whether
5 international is specifically called out in our agreement
6 with the Horsemen. What our agreement with the Horsemen
7 says is that XpressBet is entitled to retain blank percent
8 out of every wager it accepts in California, and then the
9 balance of the take out is paid to the industry, it's split
10 with the track that's running live in that zone at the time,
11 and the Horsemen.

12 And whether that's an international wager or a
13 domestic wager, I don't believe there's a distinction, I've
14 never noticed one.

15 COMMISSION CHAIRPERSON SHAPIRO: So if you're
16 doing it now, if you take one at this time of the year, you
17 don't have a thoroughbred track running; correct?

18 MR. DARUTY: We would pay it to whatever
19 thoroughbred track -- it would come to Hollywood Park, for
20 example. Wagers we accept today, through XpressBet, we keep
21 a set percentage as our hub fee, and the balance of the
22 money is split between Hollywood Park and the Horsemen,
23 assuming that it was in the southern zone.

24 If it was in the northern zone, it would be split
25 with the track running live in the north, whether it's ours

1 or not.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay, so --

3 COMMISSIONER HARRIS: So they do have a -- because
4 they have an agreement with Bay Meadows, so they're picking
5 up the thoroughbreds via that.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay. Okay. All
7 right, does anybody else have any other questions?

8 COMMISSIONER AMERMAN: This is not necessarily a
9 question of the contracts, but I'd be interested in your
10 thoughts about what you're doing with the consumer, the
11 public. Is there any plans to improve the graphics or the
12 content of HRTV and XpressBet?

13 MR. DARUTY: I mean, I don't have specifics that I
14 can share with you today, but we're always looking to
15 upgrade both HRTV and the XpressBet experience with added
16 features and functionality on the website. So that's an
17 ongoing process of trying to improve and provide the best
18 service we can to our customers.

19 COMMISSIONER AMERMAN: I think that's a good
20 general answer. On the other hand, we all know this world
21 is very competitive and, as our Chairman said, the show on
22 Saturday night was terrific and I think it behooves all of
23 us to improve our content in order to appeal to more
24 consumers, rather than them just turning it off.

25 And I would urge you to give some thought to how

1 that might be done.

2 MR. DARUTY: I understand and we will do that.

3 COMMISSION CHAIRPERSON SHAPIRO: I would encourage
4 anybody, that didn't see TVG's coverage of the Japan Cup, if
5 they can, to get a copy of it, because it was just fabulous.

6 COMMISSIONER AMERMAN: Fabulous.

7 COMMISSION CHAIRPERSON SHAPIRO: It was just --
8 you know, it showed what horse racing can be, and TVG did an
9 incredible job of covering that event, and it really was
10 terrific. And I'd encourage everybody to look at it to see
11 what really good horse racing television was.

12 Is there any other comments on this application,
13 from anybody else?

14 COMMISSIONER HARRIS: Could we get a breakdown of
15 what percents go where on the various type bets?

16 MR. DARUTY: Well, that's an interesting question.
17 Historically, there's always been a cloud of secrecy over
18 what hub fee the various wagering companies were receiving
19 through their agreement with the TOC. Now, everybody always
20 kind of heard through the grapevine what others might be
21 receiving. For whatever reason, that has not been
22 information that's been publicly shared by our company, or
23 by others.

24 I, personally, don't have a problem, nor does our
25 company have a problem with doing that. Again, if

1 everybody's going to sort of open the book and say here's
2 our hub fee, we don't have a problem doing that.

3 COMMISSIONER HARRIS: It seems like it would have
4 to be pretty transparent, anyway, to calculate the purses,
5 and all the CHRIMS reports, and all that. I mean, it's
6 someplace.

7 MR. DARUTY: That's correct.

8 COMMISSIONER HARRIS: It's got to be pretty hard
9 to camouflage.

10 MR. DARUTY: Theoretically, the Horsemen have
11 always gone and independently struck a deal with each of the
12 three account wagering companies and they've done that in a
13 way that the others didn't necessarily know what each
14 company was receiving.

15 But you're right, once it hits CHRIMS, you can
16 certainly back into the information.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. Is there
18 anybody -- well, I've got some cards here. I'm going to
19 open this up to anybody in the audience. Does anybody else
20 wish to comment? I have Richard Castro.

21 Good morning, Richard.

22 MR. CASTRO: Chairman Shapiro, Commissioners, good
23 morning. My name is Richard Castro, I'm representing Pari-
24 Mutuel Employees Guild, Local 280.

25 The way I've designed my presentation, I hope

1 you'll accept it in this format because I have cards in for
2 Number 11 and Number 12, as well. I'd like to make general
3 comments about the law and then I'll hone in on the
4 individual companies. I'm not going to concentrate so much
5 on the law, I'm going to concentrate more on examples,
6 because I think that's where I've gone wrong in the past.

7 You should have in front of you a letter outlining
8 our position, from our lawyer, which really hasn't changed.

9 I'm sorry, I tried to get this letter in the packet. I
10 thought I had a confirmation that the Board meeting was
11 going to be on the 30th. When I found out that the date had
12 been changed, when I called the Sacramento office, I was
13 already a day late getting the documents into the packet.
14 So for that, I'm sorry.

15 If you look at the letter, there's -- I made a
16 hundred copies so that the room would be able to look at the
17 letter, as well. In the letter that you have, there's tabs.

18 If you look at the orange tab, this statute is at
19 the center of our position that, to date, we feel has been
20 ignored by the previous licensing boards.

21 If you go to page 3, the last paragraph, the
22 statement is correct, we do not have a TVG or an XpressBet
23 employee classification under the collective bargaining
24 agreement, and that's why the lawyer wrote that sentence in
25 that particular manner.

1 Page 4, third paragraph, it should -- this was a
2 typo, it should be subsection (n), not (m). And I would ask
3 that the letter be made part of the record.

4 It's our position that the internet companies must
5 have a collective bargaining agreement with us prior to the
6 issuance of an operator's license. We support the
7 interpretation and position outlined by Drew Couto,
8 representing the TOC at the last meeting, that this Board
9 has the ultimate responsibility to govern, as you wish, all
10 facets of advanced deposit wagering.

11 We agree with Drew that this Board's general
12 authority powers, found in 19420, 19440(a) complete, applies
13 to all facets of advanced deposit wagering.

14 We agree with his interpretation regarding the
15 authority governing licenses found in 19460, specifically
16 part C, that says licenses generally are subject to all
17 rules, regulations, conditions from time to time prescribed
18 by the Board.

19 We also agree that Rule 1400, the catchall of
20 granting power, as well as Rule 1485, that they must comply
21 with all conditions imposed by the Board.

22 We see that as all applying to your duties and
23 responsibilities regarding advanced deposit wagering.

24 The one that we hang our hat on, more than any
25 other, is 19604(c)(1), which I will get into later.

1 Over the last three meetings I have really enjoyed
2 the presentations by the internet companies. All gave
3 excellent presentations, at which times I found educational,
4 interesting, creative, delightful, even humorous.

5 Regarding all the presentations and my desire for
6 more entertainment, Youbet gets my vote because they dined
7 us at the last meeting and I wish to say thank you.

8 We were asked during the legislative process to
9 participate in this process to establish ADW, and we knew
10 that the track attendance and the parlors would be
11 cannibalized, so what we tried to do was protect ourselves
12 and what we went after was telephone jobs.

13 What I've heard in two of the presentations was
14 that these companies talked about the cost of a phone
15 operator. And I don't think you should pay attention to the
16 cost. I don't think you should pay attention to the cost
17 because the time for them to flag that was during the
18 legislative process.

19 We all bought into something, we wanted live
20 operators. If they had a problem with cost, it should have
21 been fixed at that point. And I'm not aware of any internet
22 company raising that flag. And for them to bring it up
23 after the fact, I think is totally unfair.

24 At a previous meeting, Jeff True raised the
25 question, months ago, how bad our organization has been hurt

1 by ADW. I really can't give a specific answer to that
2 question because there's many factors to consider, but I
3 think I'm pretty accurate on this and, if I'm wrong, I'm
4 sure there's plenty of people that will correct me.

5 In 1999 we had about 22, 23 hundred members, of
6 which seven to eight hundred had fully employer-paid health
7 coverage. Today we have about 1,600 members and less than
8 500 members have health coverage.

9 Most of the losses are because of employer
10 cutbacks in the manpower at the track, and there's all kinds
11 of reasons for that.

12 If you average the cost of 600 members, paying
13 about \$500 in annual dues, that's about 300,000 a year.
14 Over six years we've lost about \$1.8 million in revenue,
15 which is considerable for a small company like ours.

16 Specifically to Youbet, and in regards to cost, I
17 think it was within the last year they bought United Tote,
18 and they paid over 40 million in cash. And now, how do I
19 take that and go back to my members and tell them they can't
20 afford to pay for a live operator?

21 I find that argument very, very weak, I can't
22 substantiate, but they say they can't pay.

23 In fairness to Mr. Champion, when the legislation
24 was passed he was not the owner of Youbet, but that still
25 doesn't excuse him from what we believe was the intent of

1 the legislation and for our support to pass ADW legislation.

2 XpressBet, let me talk about XpressBet. When I
3 talk about XpressBet, I'm not talking about Magna, I'm not
4 talking about Magna Entertainment, I'm not talking about Los
5 Angeles Turf Club, Santa Anita Operating Company, Santa
6 Anita Park, or any of the employees at Santa Anita, some of
7 my favorites being Attorney Frank Dimarco, Ron Charles,
8 George Haynes, Randy Hartsell, and so many others. I'm
9 talking strictly about Youbet.

10 And I haven't seen Ron Luniewski here. Is that
11 correct, he's not here? He's not here.

12 Well, okay, I really don't like talking behind
13 somebody's back, but he's had his opportunity to be here.

14 I'd like to share some history with Ron Luniewski
15 and myself, and I think it's very important, the history
16 that he and I have had.

17 I was introduced to him after the passage of ADW.
18 He was an executive officer for Youbet. His first
19 application that came before this Board failed because it
20 was incomplete. I believe at that time our organization
21 opposed the application because he didn't have a collective
22 bargaining agreement with us for live operators.

23 Prior to his having the application heard the
24 second time, he contacted then President Ron Liccardo, and
25 Vice President Jack Casio, and asked for our support. In

1 addition, we also got calls from Legislators and lobbyists,
2 urging our support to support this application. And you
3 guys are well aware how lobbying pressure goes.

4 His application came up the second time. Ron
5 Liccardo wasn't available at the meeting, the meeting was in
6 Cypress, on February 22nd, 2002. This is a meeting that I
7 will never forget.

8 I flew down from Northern California and when I
9 got to the meeting Jim Correll, our Secretary/Treasurer, and
10 Jack Casio, asked me to speak, supporting this application
11 because they felt they had an understanding for live
12 telephone operators.

13 I did speak. And I now wish to apologize to
14 Commissioners Marie Moretti, William Bianco, John Harris for
15 asking them to support that application.

16 I spoke about the promise of jobs and it never
17 happened. Less than five minutes after I spoke a racing
18 executive came to me and said, Richard, you will never get
19 live phone operators. Remember, you heard this from me,
20 first.

21 This executive reminds me of this conversation
22 about once a year, but it seems daily to me. He says it not
23 to hurt me, but only to let me know on this issue he was
24 smarter than I was. Trust me, it hurts.

25 I got hosed on this issue and I'm sincerely sorry

1 that Commissioners Moretti, Bianco, and Harris got hosed as
2 well, in my opinion. I'm sorry Chairman Lansburg got hosed.

3 Ron Luniewski, at that time, was employed by
4 Youbet. He's the same person that now works for XpressBet.

5 Now, I'll discuss the application of XpressBet.
6 If you look at the staff analysis, your staff analysis, page
7 1, items that needed to be complete, you will notice that
8 there is nothing about a collective bargaining agreement for
9 us. We feel that is wrong, we feel we've been passed over.

10 If you look at page 9, the bold print at the top
11 of the XpressBet application, this section, in my opinion,
12 is very misleading. At the back of the application you will
13 notice that Ron Luniewski signed it which really,
14 considering my limited history with this person, isn't
15 surprising, but he should be held accountable.

16 We do have a member doing the work, XpressBet
17 customer work, but we do not have a collective bargaining
18 agreement with XpressBet covering the work classification.
19 We see that as a violation of 19604(c)(1). This employee is
20 not paid by XpressBet. He gets the check from Santa Anita.
21 This employee doesn't work as a stand-alone employee for
22 XpressBet, he works as a clerk, selling and cashing tickets,
23 or in the horse wizard room, and maybe ten or so times a day
24 will complete XpressBet functions.

25 For his XpressBet work, he is paid about \$10 a day

1 over his daily rate as a clerk. I'm guessing, out of an
2 eight-hour day, this person spends about 20 minutes a day
3 doing XpressBet work. More accurately, he is the result of
4 a subcontracting out of a job.

5 We have agreed to try and work with the industry
6 on this and similar issues in an effort to have this
7 resolved prior to this application process. Everything has
8 failed.

9 We see this, what they're doing, as a clear
10 violation of 19604.c. The last sentence, XpressBet
11 employees working 3.5 -- that they're working 3.5 full time
12 union employees in the State of California, that's really
13 not worth my comment.

14 The sentence above that, "at Bay Meadows/Golden
15 Gate, XpressBet requires the Union to provide either a five-
16 and-a-half or a six-hour shift per day."

17 I thought about this, I was hoping Ron Luniewski
18 was going to be here. I, personally, would like to walk out
19 that room, let Scott answer it, and then come back in and we
20 can all laugh.

21 Basically, what I think he's trying to say is that
22 he wants to take our Master Union Contract, and instead of
23 having a person work a six-and-a-half-hour shift, he wants
24 them to work a five-and-a-half-hour shift.

25 Am I correct, is that what you want?

1 COMMISSION CHAIRPERSON SHAPIRO: Just continue,
2 Richard.

3 MR. CASTRO: Well, if that is correct, there's
4 nothing stopping him from taking a six-and-a-half-hour shift
5 and making it a five-and-a-half-hour shift. But I'm not
6 willing to cut wages. I'm not willing to cut benefits. And
7 that's what I think he wants, he wants to save \$10 an hour,
8 like he talked about at the other meeting.

9 TVG. It's unfortunate, I didn't see Cathy
10 Christian's here, but she gave her position regarding TOC
11 that under Section 2072 that all they had to do was have a
12 contract with the Racing Association, and not with the TOC.
13 We don't accept that premise.

14 I'm assuming that she's going to use that same
15 argument for us.

16 The reason why -- and I do respect Cathy, I
17 respect her a lot. The reason why Cathy doesn't want to do
18 something like that is because what she is saying is that I
19 could partner up with Santa Anita and I could have -- with
20 Drew, we could design a contract that will favor one entity
21 over another, the third party being TVG or an internet
22 company, and they would be bound by the terms. Basically,
23 we would be having an exclusive agreement.

24 No employer wants to do that, they want to
25 negotiate their own contract.

1 At Hollywood Park there is one TVG person doing
2 only TVG work. We believe this Board is clearly wrong to
3 allow this to happen because we believe it is a specific
4 violation, again, of 19604(c)(1).

5 I find it hard to believe that TVG, or any
6 internet company would, as I've said, give up their
7 bargaining rights.

8 At the very least you must demand a contractual
9 agreement be in place before you can issue a license.
10 Absent a written contract, follow the statute, which states,
11 19604, et cetera, you should have a written contractual
12 agreement. No contract in place, do your job, shut them
13 down.

14 COMMISSION CHAIRPERSON SHAPIRO: Richard, can I
15 ask a question? It's been my understanding, and I am very
16 sympathetic to what you're saying, but it's been my
17 understanding that none of the jobs in California are jobs
18 that your people do. That's what I think I've heard from
19 XpressBet and the other ADW providers.

20 MR. CASTRO: That's not totally correct. What is
21 correct, in the case of Santa Anita, Santa Anita asked for a
22 work requirement of clerks of, say, 50. And we took one of
23 those 50 and he's doing the XpressBet work. So he's being
24 paid as a clerk and because he's doing something a little
25 extra, we negotiated a \$10 premium for that person.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay. But
2 generally speaking, is it not true that because they've
3 located their hubs out of state, there really aren't job
4 classifications that your people would qualify for? Isn't
5 that really the real problem here? I'm trying to cut
6 through to it.

7 MR. CASTRO: Well, we -- yes, I guess you can say
8 yes. But when you go back to AB 471, if you look, and this
9 is the legislative intent, if you look at part number 17 it
10 says, "the CHRB is required to develop and adopt rules to
11 regulate all aspects concerning ADW. Any betting system or
12 hub created after this bill becomes law must contract with
13 the traditional labor unions that are employed at race
14 tracks."

15 That's us. So even if you say these are out-of-
16 state hubs, you still have the power to design and adopt
17 rules and you should follow, in my opinion, the legislative
18 intent.

19 We have tried to work with these people. You did
20 a great service, you really did, I'm not being sarcastic.
21 You did a great service, I feel, especially for me, they can
22 speak for themselves, when you made it mandatory that we sit
23 and talk with them. I found the talks to be very
24 productive, I found them to be fruitful. We did most of the
25 talking, we did most of the suggestions. But, for whatever

1 reason, it didn't work because the hammer wasn't there to
2 force us to an agreement.

3 COMMISSION CHAIRPERSON SHAPIRO: Well, isn't the
4 problem, though, that the hubs aren't here? I don't think
5 this Board has the authority to mandate jobs outside of the
6 State of California and who's hired outside of the State of
7 California. That's what I think, at least has been my
8 understanding, of where the problem is from our perspective.
9 We don't reach outside California.

10 MR. CASTRO: Okay, what we're saying is that even
11 if they're using a hub that's outside of California, the
12 agreement that we reached through the Legislature, that we
13 thought we were partners with everybody, was to have live
14 phone operators here in California.

15 So even if the hub is out of the State, there
16 still should be a provision for us to have live phone
17 operators.

18 Now, recognizing, and we've given this a lot of
19 thought, and you've been very gracious with your time with
20 us, we recognize the changes in technology. And what we've
21 been exploring and talking about more is maybe a solution to
22 this would be to charge a 50 cent surcharge fee for anybody
23 that made a -- if I can use John Harris as an example, and
24 I'm not suggesting that you bet on horses, but if you made
25 a --

1 COMMISSIONER HARRIS: There's a suggestion I can't
2 use a computer, is that what you're suggesting?

3 MR. CASTRO: No, I know you can use your computer.
4 If you make a bet on the internet, or with the computer, or
5 whatever, you're a California resident and you're betting on
6 a California race, so that you should pay a 50 cent
7 surcharge whether you bet \$50 for that one phone call, or
8 \$500,000.

9 COMMISSIONER HARRIS: For the phone call?

10 MR. CASTRO: For the phone call.

11 COMMISSIONER HARRIS: Well, that seems like
12 something that should be negotiated with the employer,
13 really. I mean, that might be a good idea, a win/win
14 situation for everybody, but I don't know if we can impose
15 that.

16 MR. CASTRO: Well, you have the right to adopt
17 rules. I mean, you have an attorney sitting right next to
18 you and I think he'll tell you, you have the ultimate
19 authority, you have the final say.

20 I'm not suggesting that's the best thing to do,
21 I'm going to get hung for this with my own union, I'm not
22 suggesting that's the thing that you should do right now,
23 but what we were hopeful for, when we were going through
24 this process, that it would go faster and that there could
25 be an agreement reached with all the parties, and then we go

1 up to Sacramento together, and we put a package together
2 and, hopefully, the Governor will sign it to correct a
3 number of ills.

4 COMMISSION CHAIRPERSON SHAPIRO: Well, Richard,
5 let me just try to give you at least my philosophy of
6 dealing with these applications.

7 We all know that the ADW law sunsets at the end of
8 the coming year, which means that by August, probably, of
9 next year, all of the revisions to ADW will have to be
10 brought to the forefront.

11 It seems to me, given all the complexities, that
12 one thing that I personally don't think would be in the best
13 interest of any of us, today, is to see that ADW be shut
14 down. Okay, and I don't think that's what -- I don't think
15 that's what you're saying, okay.

16 We're struggling to increase our purses, to
17 increase the number of jobs, and everything else. So what's
18 frustrated me is that there are limitations and there are
19 problems in the existing law, the way that the revenues are
20 split, and certain other things you've heard a lot of
21 conversation over. Can we require there be a Horsemen's
22 agreement? You've heard some people argue you can't do it,
23 you've heard others that say that was the intent.

24 And I think this is a similar situation. I think
25 the intent was that jobs would be created for our existing

1 unions, including 280. What I'm struggling with is I don't
2 know how to fix that today. I don't know how and what
3 action we can take without simply not approving these
4 contracts, which is not something I really want to do
5 because I don't want to hurt the big picture, and hurt our
6 purses, and our tracks, and our Horsemen.

7 So I'm just sharing with you where I'm conflicted
8 in this. And I would have hoped that people would be able
9 to sit with you.

10 I know that we did have discussions and there was
11 discussion about XpressBet moving jobs to California. Now,
12 I don't know where those have gone. I was told that they
13 were going to make a concerted effort, a genuine effort.
14 When jobs were removed from, I think it was Pittsburgh to
15 Oregon, that those jobs would come to California and those
16 jobs would benefit Local 280. What's happened with that?
17 I'm turning to the XpressBet people.

18 MR. DARUTY: Yes, those jobs are economically not
19 feasible in California. Now, I understand Mr. Castro's
20 frustration and, like this Board we, at Magna, are
21 sympathetic to their plight.

22 However, we're also trying to deal with the
23 business reality of running an account wagering business on
24 very tight margins. We were historically in -- our
25 telephone operators were historically located in

1 Pennsylvania. They were there when we purchased the company
2 and that's where we left them. There was a tax issue in
3 Pennsylvania that caused us to relocate those employees, and
4 we did look and consider very seriously trying to move them
5 to California.

6 Just to give you an example. The typical hub fee
7 and, as we talked earlier, you know, the different ADW
8 companies don't publicize what their hub fee agreement with
9 the TOC is, but the typical is around five percent.

10 If an account, a telephone operator accepts \$500
11 of wagers over a period of an hour, that's \$25 of commission
12 at that five percent rate. The all-in cost of the union
13 telephone operator is \$26 per hour. So the people have to
14 accept \$500 of wagers just to cover that expense, without
15 talking about, you know, telephone lines, and technical
16 cost, and administration, and the --

17 COMMISSION CHAIRPERSON SHAPIRO: Well, have you
18 sat down and shared that information with Local 280? Have
19 you tried to bridge that gap?

20 MR. DARUTY: We have talked extensively with Local
21 280. I was in some of the meetings, Ron Charles was in most
22 of the meetings. We had several ideas. We had proposed
23 hiring additional clerks at our race tracks, over and above
24 what we needed for normal staffing. And they said, well,
25 that's sort of make-work jobs. And I don't want to put

1 words in your mouth, but that was the interpretation I had
2 of their position, those are make-work jobs, we don't want
3 those, we want the phone jobs. And I can understand that
4 position.

5 COMMISSIONER HARRIS: Are we talking about very
6 many phone jobs? I was under the impression, with the voice
7 recognition systems and other technology, that there were
8 not really that many phone jobs.

9 MR. DARUTY: There are not. There are not that
10 many phone jobs. I think we have 15 is what we moved from
11 Pittsburgh to --

12 COMMISSIONER HARRIS: Is that 15 people, or 15
13 people at once, over 15 people over a period of the time?

14 MR. DARUTY: Fifteen full time equivalent
15 positions. We have given it just --

16 COMMISSIONER HARRIS: Equivalent. So at one point
17 there might be six people or so, huh?

18 MR. DARUTY: Right. Just to clarify an issue in
19 our application, we stated in our application that XpressBet
20 employs 3.5 full time equivalent people in California. That
21 is correct. Those employees do get paid from our local race
22 track, but the cost of that is reimbursed internally from
23 XpressBet. Those are positions over and above what our
24 union contract requires us to have as a race track. So we
25 do have three and a half full time equivalent positions.

1 As Mr. Castro states, a lot of times those people
2 aren't doing XpressBet work. And the fact is we can't
3 create jobs when there's not a need, when there's not a
4 function to be fulfilled. And so what ends up happening is
5 those people spend a lot of their time doing other duties at
6 the track because there isn't enough time to keep them busy.
7 But, nevertheless, we've committed to three and a half and
8 that's what XpressBet is paying for.

9 So we have tried to address their concerns. We've
10 tried other solutions. So far we haven't found one that's
11 acceptable to them, but we're certainly willing to keep
12 trying.

13 COMMISSIONER MORETTI: So Richard, could I ask you
14 a question, then? So you have 15 FT up in Oregon, more or
15 less?

16 MR. DARUTY: More or less, yes.

17 COMMISSIONER MORETTI: And three and a half here,
18 which may or may not be doing the job that's necessary.

19 Just as for -- what expectations did you have
20 coming into this before? And you're absolutely right, we
21 were -- at least many of us were under the assumption that
22 there were going to be jobs created, union jobs created with
23 ADW.

24 MR. CASTRO: Well, you have the transcript. I
25 planned to read --

1 COMMISSIONER MORETTI: Yeah, I have it, but I
2 didn't have time to read it.

3 COMMISSIONER HARRIS: But a lot of that was
4 intent. I don't think we can necessarily buy into intent,
5 you know, there's nothing in the statute, itself, that said
6 there had to be X number of telephone jobs.

7 COMMISSIONER MORETTI: But I mean that these
8 questions are going to be asked by Legislators later next
9 year, anyway, or early next year anyway, when this
10 discussion gets going. I would like to know a couple
11 things. What were your expectations and what is the cost of
12 doing business up in Oregon? Is it that much higher than it
13 is in California?

14 COMMISSIONER HARRIS: Lower.

15 COMMISSIONER MORETTI: I mean, lower. I mean,
16 that we're that much higher?

17 COMMISSION CHAIRPERSON SHAPIRO: I believe the
18 hourly rate in Oregon is something like \$11 an hour versus
19 in California it's \$28 or \$26 an hour.

20 COMMISSIONER MORETTI: Would that be correct?

21 MR. DARUTY: That's correct, yeah.

22 COMMISSIONER MORETTI: That's a sizeable chunk.

23 COMMISSIONER HARRIS: I didn't think it was that
24 high here.

25 COMMISSION CHAIRPERSON SHAPIRO: And that's why I

1 don't -- I'm wondering, is there not a way to bridge that
2 gap with 280? I mean, frankly, I'm disappointed to hear
3 that those jobs aren't coming to California. I was assured
4 they would come to California.

5 COMMISSIONER HARRIS: But we do have to keep in
6 mind, though, this is a national company, it's not just
7 California that they're in.

8 COMMISSION CHAIRPERSON SHAPIRO: No, no, and I
9 agree with that. But when I heard of this a month or two
10 ago, I did approach Mr. Stronach, and Mr. Mills, and the
11 people up there, and I said those jobs were promised and
12 they need to come to California, and I thought they had told
13 me that they would make a very serious and concerted effort
14 to bring them here.

15 Now, at that discussion we didn't talk about the
16 hourly rate. Is there a place to make the rate at a reduced
17 rate so it is more comparable? I mean, when you hear the
18 economics from their side, you know, you can understand
19 their problem. Is there room with which to bridge that gap?

20 MR. CASTRO: Everything is negotiable. But you've
21 thrown a lot of questions at me. Everything is negotiable.
22 But, as I started out, if there was a problem with cost, it
23 should have been addressed in the legislative process.

24 COMMISSION CHAIRPERSON SHAPIRO: I don't disagree.
25 Richard, I'm not disagreeing with that. We understand. We

1 understand.

2 MR. CASTRO: Number two --

3 COMMISSION CHAIRPERSON SHAPIRO: But we're here
4 where we are today.

5 MR. CASTRO: Okay. Number two, Commissioner
6 Moretti asked about these three and a half people. They
7 actually were clerks that were assigned and they got moved
8 over. They're not in addition to the crew, as I understand
9 it. You wanted to know what --

10 COMMISSION CHAIRPERSON SHAPIRO: Answer her
11 question, though, what was your job expectation?

12 MR. CASTRO: Let me finish, that was my next one.

13 COMMISSION CHAIRPERSON SHAPIRO: Oh, good.

14 MR. CASTRO: We went to New York and we saw, at
15 the OTB, approximately 200 live operators. We felt that New
16 York was similar to California, and so we thought
17 eventually, over time, we would eventually get up to
18 somewhere in the area of 200 live telephone operators. We
19 thought, when we were in discussions, what my recollection
20 is with Mr. Luniewski, was that I think he was going to
21 start out with something like 20 to 25 with Youbet. And if
22 you go to the transcript that I've given you, that is from
23 February 21st, 2002, and the pages are a little bit
24 misnumbered, but if you look where it says "0040" and you
25 start with Mr. Harris -- Commissioner Harris, excuse me.

1 "On wagering, is it exclusively through computer" -- he's
2 asking a question. "On wagering, is it exclusively through
3 computers or is there any calling type of system?"

4 "Mr. Luniewski: I apologize, I forgot to mention
5 that. We offer a suite of products, internet-based
6 products, an IVR phone wagering system, a voice recognition
7 phone wagering system, and we are now getting into the live
8 operator business in conjunction with the local labor union
9 here."

10 That was us. That's pretty definitive. That is
11 pretty definitive, there's no quivering about that. And why
12 I am upset with this Oregon, I heard about this Oregon
13 situation about nine months ago. And this is the same Mr.
14 Luniewski that went from Youbet to XpressBet, and he's
15 shipping these jobs off to Oregon. He needs to be held
16 accountable and you have the power to do it.

17 COMMISSION CHAIRPERSON SHAPIRO: Well, I'm unclear
18 as to whether we have the power to do that. I don't know if
19 Deputy Attorney General Knight would wish to weigh in on
20 that. I'm not sure we -- I'm unclear as to our power to do
21 that.

22 DEPUTY ATTORNEY GENERAL KNIGHT: Well, just one of
23 the basic points is the legislative intent is not what the
24 statute says. Unfortunately, the statute is very clear that
25 there's to be some sort of labor organization for the types

1 of jobs that were traditionally in place at the local
2 tracks. It doesn't say anything about numbers or it doesn't
3 say anything about requiring them to use telephone
4 operators, and so on.

5 So I don't dispute that this discussion may have
6 occurred at the legislative arena, but that's not what the -
7 - the legislative intent certainly doesn't control when you
8 have a statute that's very clear on that issue.

9 MR. CASTRO: Would you look at 19604?

10 DEPUTY ATTORNEY GENERAL KNIGHT: I've looked at
11 it.

12 MR. CASTRO: It says that "they shall enter into a
13 written contractual agreement."

14 Our union is the only union --

15 DEPUTY ATTORNEY GENERAL KNIGHT: But you have to
16 finish the --

17 MR. CASTRO: -- statewide that deals with
18 wagering. We are the only one.

19 DEPUTY ATTORNEY GENERAL KNIGHT: But you have to
20 finish that sentence, though. You have to read the rest of
21 it and it says "for jobs traditionally in place in local
22 tracks." It doesn't say that they have to create jobs and
23 it doesn't say that you have to have union representation
24 for computer operators, for example.

25 MR. CASTRO: The same or similar.

1 DEPUTY ATTORNEY GENERAL KNIGHT: Well, I mean,
2 there may be a dispute there, but that's not what I've heard
3 the issue being.

4 MR. CASTRO: The same or similar, that is the
5 issue. We are the only union that does wagering in
6 California. They can't -- the Legislature couldn't write in
7 Pari-Mutuel clerks Local 280, blah, blah, blah, they
8 couldn't write a local in.

9 COMMISSION CHAIRPERSON SHAPIRO: Richard, I don't
10 think that's the issue here. I think the issue is that the
11 way the law is crafted does not convey, clearly enough, that
12 I think we can mandate that they hire -- they hire people to
13 handle these jobs. If they don't have those jobs here, we
14 can't make them have those jobs. That's the problem, as I
15 see it.

16 I don't think that the law says that there would
17 be a minimum of jobs, that's also the problem.

18 The same as with technology. If people aren't
19 going to bet over the telephone, and they're just going to
20 do it over the computer, you don't need those jobs. And so
21 I think that's where everybody's a little got off track
22 here.

23 I agree with you, the intent was to create jobs.
24 I agree with you. Now, the issue is, given what we know
25 about ADW, how can we deal with it today and certainly, when

1 this law is going to hopefully be rewritten by the
2 Legislature, how can it be dealt with to better protect your
3 members? I'm in total favor of that.

4 So the question is what can we do today, knowing
5 that I don't think we want to not allow ADW wagering to go
6 forward, and I don't hear you saying that that's what you
7 want. So the issue is, again, back to is there a compromise
8 here, where enough jobs can be created to get past this next
9 year? That's what I'm trying to find, trying to help.

10 COMMISSIONER HARRIS: I don't think we want to
11 build inefficiencies into the system. I mean, the system
12 has got to work and technology has evolved that has replaced
13 some jobs, unfortunately, but it's created a lot of jobs,
14 too, in total. And I think the union just needs to figure
15 out how to capitalize on technology, rather than try to
16 demand that there be X number of employees some place.

17 COMMISSION CHAIRPERSON SHAPIRO: Well, I agree
18 with you totally on that, John, but all I'm saying is if
19 they're moving these telephone jobs from Pennsylvania to
20 Oregon, that's where I have the problem.

21 COMMISSIONER HARRIS: Well, but I mean we can't
22 really control that, though. I mean, if they had a bank of
23 telephones down, you know, in the basement of Hollywood
24 Park, clearly they would have to be Richard's union's jobs.
25 But I don't think we can control what happens in Oregon.

1 MR. DARUTY: We, at XpressBet would be willing to
2 just commit to and confirm for Mr. Castro that we will hire
3 and pay for three and a half full time equivalents over and
4 above what the union contract requires for our race tracks
5 to have. These are additional positions that would not
6 exist but for XpressBet, and we'll commit to that for the
7 entire period of our license and make sure they're paid.

8 COMMISSION CHAIRPERSON SHAPIRO: Is that
9 acceptable to you, Mr. Castro?

10 MR. CASTRO: Not really. I would rather to
11 continue to go through the process. I would rather -- you
12 know where we're coming from. When it goes through the
13 Legislature, I would rather see a commitment that these
14 people will agree to whatever and let's start with a 50 cent
15 surcharge fee.

16 COMMISSION CHAIRPERSON SHAPIRO: Well, I don't
17 think we can do that, that's the problem here. I don't
18 think we have the authority to do that. We can't enter into
19 mandating what the contractual relationships of the parties
20 will be, we don't have that authority. I mean --

21 MR. CASTRO: I'm not asking you to mandate
22 anything, I'm asking for a gentleman's agreement that when
23 it goes through the legislative process that --

24 COMMISSIONER HARRIS: Well, I don't think we can
25 do that, either. I mean, there's so many different factors

1 in the legislation that we're going to have to cross that
2 bridge when we get to it. But this Board can't agree to
3 something that obscure.

4 MR. CASTRO: I mean, you realize very clearly that
5 we did our good faith and we don't feel the industry is
6 reacting in this good faith effort, so there very well may
7 be a division as we go forward.

8 COMMISSION CHAIRPERSON SHAPIRO: Richard, I would
9 hope --

10 MR. CASTRO: That's not a threat.

11 COMMISSION CHAIRPERSON SHAPIRO: I don't hear it
12 as a threat. I hope that the industry will sit down with
13 you and will work through with you, in advance of when the
14 hearings are held on ADW, so that the industry can go arm in
15 arm with you to do this, because there's no doubt in my mind
16 that there was a perception and a belief that jobs would be
17 created, which weren't created.

18 I think this Board is sympathetic to that.

19 COMMISSIONER HARRIS: I think the whole thing was
20 though, at that point technology had not evolved to the
21 degree it has today, even. And I think people envisioned
22 there were going to be a need for live operators and, as
23 it's turned out, there is not a need that was anticipated.
24 Just things changed and you've got to adapt to change, you
25 can't just mandate that a certain number of operators be

1 someplace.

2 It's never going to be like New York, that's got
3 the most inefficient in the world, probably, and we don't
4 want to --

5 COMMISSION CHAIRPERSON SHAPIRO: I think we need
6 to move this along. Unless there are any other comments
7 that need to be made on this subject, I'd like to move it
8 along.

9 MR. CASTRO: I would like to share something else,
10 and it's part of the reason why I can't give you a
11 commitment. And this is something for everybody. It's not
12 your fault, it's our biggest problem, actually.

13 SEIU, Service Employees International Union, has
14 broken away from the AFL-CIO, they now have an organization
15 called Change to Win. Labor in California, the labor
16 organizations are really in a huge change. There used to be
17 approximately SEIU locals in California, there's probably
18 now only eight. And we are one of the smallest and very
19 well we are going to be merged into something else.

20 So for me to make any kind of an agreement with
21 anybody, I've got to go through a whole series of people,
22 now, before I can make any changes. And I'm just sharing
23 that information that it's starting to get complicated, no
24 fault through yours.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, Richard, I

1 think that we all appreciate that your hard work and your
2 dedication to help this industry, and I hope as this moves
3 forward that we'll all be able to work together and resolve
4 this, and help your members.

5 MR. CASTRO: Thank you for your time.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay. Does
7 anybody else -- I have a card from Drew Couto. Drew, are
8 you desirous of speaking on this matter?

9 MR. COUTO: Good morning, Drew Couto, on behalf of
10 the Thoroughbred Owners of California.

11 I'm not desirous of speaking, but the only point
12 I'd like to make is that I believe that XpressBet and TOC
13 have an agreement in principle, will hopefully finalize the
14 paperwork with regard to hub fees on both California wagers
15 and exported wagers. So I just want to confirm that we
16 support their application, given that agreement.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.
18 Is there any other commentary on this application.

19 COMMISSIONER HARRIS: Well, what issue, and this
20 is not just for this particular application, but all of it,
21 I'm not clear on exactly and I think it's an important point
22 for the Board to have oversight, is the financial integrity
23 of all these deposits. Because now, as people -- the thing
24 has grown and all these wagers, all over the country, have
25 got money on deposit with various ADW providers, what can

1 the Board -- how can the Board best be assured that these
2 funds are safeguarded and not comingled with other funds,
3 and things like that?

4 MR. DARUTY: I apologize, I missed the first part
5 of your question?

6 COMMISSIONER HARRIS: Just what safeguards are
7 there in place to insure the integrity of money on deposit
8 with XpressBet?

9 COMMISSION CHAIRPERSON SHAPIRO: For an
10 example --

11 MR. DARUTY: We have a bond posted with the State
12 of Oregon, where our hub is located, to cover deposits and
13 any funds that, you know, if we were to abscond with, which
14 we wouldn't do, but if we did, there's a bond to cover that.

15 COMMISSION CHAIRPERSON SHAPIRO: How big is that
16 bond?

17 MR. DARUTY: I believe it's a quarter of a million
18 dollars.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, clearly,
20 you must have more of a quarter of a million dollars from
21 people, that are on deposit.

22 MR. DARUTY: Well, that's the bond that's required
23 by the State of Oregon. I believe it's the same size bond
24 as all the other companies that are licensed.

25 COMMISSION CHAIRPERSON SHAPIRO: I think we're at

1 half a million.

2 COMMISSIONER HARRIS: I think there's something in
3 the notes that there's a \$500,000 bond, which I think that
4 was originally a requirement because we just wanted to grab
5 a number. But as time goes on, I think we need to be
6 assured that that's adequate, and that there's some
7 oversight on these funds, where if there's some financial
8 catastrophe no one of our -- because there's got to be an
9 integrity, just like banking or anything, you've got to feel
10 that money you've got on deposit is secure.

11 MR. DARUTY: I apologize, it's a half a million
12 dollars.

13 COMMISSIONER HARRIS: But how much do you have on
14 deposit, though?

15 MR. DARUTY: I'm sorry, we don't have that number
16 at our fingertips.

17 COMMISSION CHAIRPERSON SHAPIRO: Well, I think
18 perhaps, then, that bond should be increased to what the
19 average that you've maintained on deposit is for -- on an
20 annual basis.

21 I mean, I'm assuming that each of these companies
22 must have a lot of money that they're holding, and where is
23 it held?

24 MR. DARUTY: Well, we have bonds in other states,
25 where we're licensed. And, obviously, if this Board is not

1 comfortable with the bond that has been required from
2 Oregon, you know, again any requirement we will gladly
3 comply with, and we'd just ask that it be imposed equally on
4 all account wagering companies.

5 There's never been a problem. The Oregon Board,
6 which has done an indepth analysis in approving the out of
7 state -- you know, the Oregon State license has determined
8 that's the amount.

9 COMMISSIONER HARRIS: Well, maybe it's something
10 we need to get into at another time, but I think we just
11 need to be sure because it's one of those things that, you
12 know, hopefully, nothing would ever happen. But if it ever
13 did happen, the people are going to be pointing at CHRB as
14 someone that should have been exercising oversight.

15 COMMISSION CHAIRPERSON SHAPIRO: Yeah, I would
16 like to ask that staff, if staff could look at this and just
17 report back to us, and let us know, and report back to us, I
18 think that would be good. Deputy Attorney General Knight
19 just pointed out to me that the law states that there's a
20 half-a-million-dollar bond, which you do have. So why don't
21 we just make sure it's adequate. And again, that's
22 something moving forward that we should be looking at, as
23 the law is revised. Okay?

24 MR. CASTRO: May I make one more point?

25 COMMISSION CHAIRPERSON SHAPIRO: Yes.

1 MR. CASTRO: When I was walking back, it was
2 suggested to me what about mediation. We would accept
3 mediation as part of the process to get through this.
4 That's all. Thank you.

5 COMMISSION CHAIRPERSON SHAPIRO: All right. I'll
6 entertain a motion to approve this application, if there is
7 one.

8 COMMISSIONER HARRIS: So moved.

9 COMMISSION CHAIRPERSON SHAPIRO: It's moved.
10 Pardon me? It's for one year. One year.

11 Is there a second?

12 COMMISSIONER MORETTI: Second.

13 COMMISSION CHAIRPERSON SHAPIRO: There's a first
14 and a second. All in favor?

15 (Ayes.)

16 COMMISSION CHAIRPERSON SHAPIRO: It's approved.
17 Thank you very much.

18 MR. DARUTY: Thank you.

19 COMMISSION CHAIRPERSON SHAPIRO: All right. We'll
20 move, now, to Item Number 11, which would be Youbet.

21 COMMISSIONER HARRIS: Now, on all of these, too,
22 if there's anything out there that we get, that we're
23 approving pending things that we, the Board, could receive
24 copies of whatever the final agreements are?

25 STAFF SERVICES MANAGER WAGNER: Jacqueline Wagner,

1 CHRB staff.

2 The application before you is from Youbet. They
3 have applied for an application to function as a California
4 multi-jurisdictional wagering hub, as well as an out-of-
5 state multi-jurisdictional wagering hub.

6 The application is from January 1, 2007 through
7 December 31, 2008.

8 They are proposing to operate seven days a week,
9 approximately 8:30 to 11:00 p.m., Pacific Time.

10 As we know, the statutory authority for ADW
11 sunsets December 31st, 2007 and it is appropriate for the
12 Board to consider this application for a one-year period.

13 Youbet will be providing ADW services for Bay
14 Meadows, CARF, Sacramento Harness, Hollywood Park Fall
15 Racing Association, Del Mar, Los Alamitos Racing
16 Association, the Los Angeles County Fair, at Fairplex, Los
17 Angeles Turf Club, Oak Tree Racing Association, and the
18 Pacific Racing Association.

19 They are currently licensed through December 31,
20 2006. I have been notified that they do have a Horsemen's
21 agreement through 2006; is that correct?

22 COMMISSION CHAIRPERSON SHAPIRO: Uh-hum.

23 STAFF SERVICES MANAGER WAGNER: And they are
24 currently in negotiations for their Horsemen's -- for the
25 host agreements for 2007. We do have a representative from

1 Youbet for questions.

2 COMMISSION CHAIRPERSON SHAPIRO: Thank you.
3 you've just heard the last discussion and I guess we'd like
4 to hear from you on some of the same issues with respect to
5 what was discussed. In particular, let's deal with the
6 jobs. Do you employ any people from Local 280, now?

7 MR. ROBERTSON: Mike Robertson, from Youbet.

8 THE REPORTER: Use the black microphone.

9 MR. ROBERTSON: Okay. Mike Robertson, Youbet.com.
10 No, we don't, currently.

11 COMMISSION CHAIRPERSON SHAPIRO: Do you not have
12 any telephone operator jobs in Woodland Hills?

13 MR. ROBERTSON: We don't. No live operator jobs
14 in Woodland Hills.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay. And tell
16 me, I'm just curious and I'm not sure it's pertinent, but
17 can you enlighten us, I know that there was an arbitration
18 with TVG, and I'm told that that's been resolved or been
19 ruled upon?

20 MR. ROBERTSON: Yes.

21 COMMISSION CHAIRPERSON SHAPIRO: Can you just tell
22 us basically, from your perspective, does that have any
23 bearing on your doing business moving forward?

24 MR. ROBERTSON: Yes, I think some issues were
25 cleared up as far as payments under our licensing content

1 agreement.

2 COMMISSION CHAIRPERSON SHAPIRO: But it won't
3 impair your ability to move forward, to do business?

4 MR. ROBERTSON: No.

5 COMMISSION CHAIRPERSON SHAPIRO: Does anybody else
6 have any questions for this applicant?

7 COMMISSIONER HARRIS: Just back on the financial
8 requirements. I understand you do have a \$500,000 bond.
9 But could you give us a grasp of how much money you do have
10 on deposit at Youbet?

11 MR. ROBERTSON: I don't know that number offhand,
12 but I can tell you this, at the end of 2002 we created what
13 we called the Player's Trust, and we entered into an
14 agreement with Comerica Bank to set up a custodial account,
15 and that's where we keep the funds that are in our
16 customer's wagering accounts.

17 COMMISSIONER HARRIS: That's probably a good way
18 to do it. Interest on those funds, I do recall that those
19 go to something. What does that interest go to?

20 MR. ROBERTSON: I believe they go back to a fund
21 for California accounts. I think they go back to CHRIMS, to
22 the California racing industry, but I would need to check
23 that.

24 COMMISSIONER HARRIS: I can't remember, but
25 there's some industry type fund that goes to.

1 MR. ROBERTSON: It doesn't go back to our
2 accounts.

3 COMMISSION CHAIRPERSON SHAPIRO: And when you're
4 operating, are you accepting wagers throughout the year on
5 all tracks in California?

6 MR. ROBERTSON: Yes.

7 COMMISSION CHAIRPERSON SHAPIRO: So you do have a
8 contractual agreement in place with the track that is you're
9 taking wagers on; is that correct?

10 MR. ROBERTSON: We have simulcast agreements with
11 all California tracks except the TVG exclusive tracks.
12 Those we sublicense through TVG.

13 COMMISSION CHAIRPERSON SHAPIRO: Through a
14 sublicense, okay.

15 And, also, do you accept wagers on international
16 races, too?

17 MR. ROBERTSON: We do.

18 COMMISSION CHAIRPERSON SHAPIRO: And do you also
19 have the revenues that come from that, they come back and
20 benefit the California Horsemen, as well, in the same
21 manner?

22 MR. ROBERTSON: On a California resident wager,
23 yes. According to our TOC approvals, we keep a certain hub
24 fee, then we pay a host fee, and I think that's limited to
25 3.5 percent on California resident wagers, and then the rest

1 goes back to California through CHRIMS, as a market access
2 fee. And that's only on California resident wagers. And
3 that is distributed to participants in the California racing
4 industry.

5 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right.
6 Does anybody else, on this application, I have -- does
7 anybody from the Board have any other questions? If not,
8 Drew Couto.

9 MR. COUTO: Drew Couto, on behalf of Thoroughbred
10 Owners of California. Just to confirm, we have a hub fee
11 agreement in place with Youbet, and TOC supports the
12 application of Youbet for one year.

13 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

14 Mr. Castro, can I assume that your remarks, that
15 were previously made, are applicable to this, as well?

16 MR. CASTRO: Out of respect for you, I won't go
17 through the whole thing again. Yes, you can assume that.

18 COMMISSION CHAIRPERSON SHAPIRO: Thank you,
19 appreciate it.

20 All right, I'll entertain a motion then. Is there
21 a motion to approve Youbet's application for one year?

22 COMMISSIONER HARRIS: So moved.

23 COMMISSION CHAIRPERSON SHAPIRO: Second?

24 COMMISSIONER MOSS: Second.

25 COMMISSION CHAIRPERSON SHAPIRO: Seconded. All in

1 favor?

2 (Ayes.)

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

4 Jackie?

5 STAFF SERVICES MANAGER WAGNER: Jacquelyn Wagner,

6 CHRB staff.

7 The application before you is for an approval to
8 conduct advanced deposit wagering by TVG. They have filed
9 their application as an out-of-state multi-jurisdictional
10 wagering hub to provide ADW.

11 The proposed dates for approval -- they have --
12 their application indicates that this would be for the
13 entire term approved by the Board.

14 TVG is well aware of the statutory authority
15 sunset date of December 31, 2007.

16 The Board can go ahead and entertain this
17 application for a one-year approval.

18 TVG is proposing to operate 365 days a year, 24
19 hours a day. They will provide ADW for Hollywood Park, Del
20 Mar, Los Alamitos, Los Angeles County Fair, at Fairplex, Oak
21 Tree Racing Association.

22 The item from this application that is missing is
23 the Horsemen's agreement.

24 Staff would recommend that the Board approve the
25 application for a one-year approval, contingent upon

1 receiving that agreement.

2 COMMISSION CHAIRPERSON SHAPIRO: Thank you,
3 Jackie.

4 Good morning. You want to use the black one.
5 Okay.

6 Let's deal with the easy stuff, first, okay. As
7 you've heard the prior two people, they have agreements with
8 the Horsemen. As I recall, you were very clear that legally
9 you don't feel that you are obligated. And we, at the last
10 meeting, said, well, go back and talk, and I know you've
11 done a lot of talking.

12 So perhaps you could report to us whether or not
13 those talks have come to fruition and we can get past that
14 issue.

15 MR. NATHANSON: Mr. Couto informed me this morning
16 that, based on our discussions, both parties have
17 voluntarily have an agreement in principle, and it's a
18 matter of papering that agreement, but that would include
19 '06 and '07.

20 COMMISSION CHAIRPERSON SHAPIRO: Well, that's
21 worth a round of applause, as far as I'm concerned.

22 (Applause.)

23 COMMISSION CHAIRPERSON SHAPIRO: I know that the
24 parties have worked very long and very hard to work through
25 the difficult issues and I really do appreciate it, and so

1 that is terrific.

2 Can you -- Commissioner Harris has raised this
3 point, which is all the money that you guys hold on deposit
4 for people that wager, how is that money secure?

5 MR. NATHANSON: And I'll let John Hindman answer.

6 MR. HINDMAN: At TVG it's maintained in a
7 separate, segregated account, so that it's accounted for
8 separately, and it's not --

9 COMMISSION CHAIRPERSON SHAPIRO: Comingled from
10 everybody?

11 MR. HINDMAN: It's separated from all of TVG's
12 other funds and operating funds and, also, the settlement
13 and money room funds that flow back and forth from the race
14 tracks to us, so it's held in a discrete account.

15 COMMISSION CHAIRPERSON SHAPIRO: Well, it's
16 probably a pretty large sum. So how is it -- it's not an
17 insured account. I mean, how do you protect that, God
18 forbid, something happen? I mean, it's not by player;
19 correct?

20 MR. HINDMAN: Well, the money is accounted for in
21 our system by player, obviously, so you don't -- in your
22 account funds. I, honestly, don't know the interworkings of
23 it, but the money is kept in a segregated account in whole,
24 in full, so I do --

25 COMMISSION CHAIRPERSON SHAPIRO: At a bank?

1 MR. HINDMAN: Yes.

2 COMMISSIONER HARRIS: It sounded like a good idea
3 that Youbet had, where they put it in some version of a
4 custodial account at a bank, where it's just more clear that
5 it's a separate deal.

6 MR. HINDMAN: We can -- I understand.

7 COMMISSION CHAIRPERSON SHAPIRO: Okay. Does
8 anybody have any other questions for TVG with respect to
9 their license? You understand it's a one-year license?

10 MR. HINDMAN: Yes, sir.

11 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
12 Harris, do you have any questions?

13 COMMISSIONER HARRIS: What ever happened to
14 that -- I remember we had a fun Christmas last year because
15 we started getting all these calls on December 23rd, where
16 there was this dispute going on between Bay Meadows and TVG,
17 and TOC and --

18 COMMISSION CHAIRPERSON SHAPIRO: Right, but
19 they've just told us they have an agreement.

20 COMMISSIONER HARRIS: Well, they said they're
21 holding hands, we're not quite sure if they're truly in
22 love. But what happened to the money that was going into
23 this escrow account? Wasn't there some talk about an escrow
24 account until some of this got settled?

25 COMMISSION CHAIRPERSON SHAPIRO: Well, we

1 never -- TVG would not agree to an escrow account.

2 COMMISSIONER HARRIS: That never did happen.

3 COMMISSION CHAIRPERSON SHAPIRO: And so it was a
4 disputed amount, but what I just heard Mr. Nathanson said
5 was they have an agreement for 2006 and 2007. Therefore,
6 I'm presuming that whatever the disputed amount, it has been
7 resolved between TOC and TVG.

8 And I'd ask that Mr. Couto, if you'd come forward
9 and just confirm that moving forward we won't envision that
10 there will be any problems with Hub rates and fees related
11 to TVG and TOC through 2007.

12 MR. COUTO: Again, Drew Couto, on behalf of TOC.
13 I would confirm, for the Horse Racing Board, that we have in
14 place, as Mr. Nathanson said, an agreement in principle
15 regarding hub fees for 2006, as well as 2007. And for 2007
16 we're sort of working on two options. Both, I think, are in
17 play. One is a definite, if we're not able to get Santa
18 Anita up and another is, if we get Santa Anita up, we're
19 going to have a slightly different variation.

20 But we've agreed on either contingency, and so I
21 don't expect we'll have any problems. In fact, I know we
22 won't have any problems for 2007.

23 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

24 COMMISSIONER AMERMAN: Do you, at this time, think
25 that the Santa Anita option will work?

1 MR. COUTO: In terms of the --

2 COMMISSIONER AMERMAN: Personal opinion?

3 MR. COUTO: In terms of the financial structure?

4 My understanding is there is perhaps one financial issue
5 that involves more parties than those who were at the table
6 and, provided that can be worked out, I'm optimistic we get
7 something up and going right away.

8 COMMISSIONER AMERMAN: But if it doesn't, then
9 you're comfortable with the alternative?

10 MR. COUTO: Correct.

11 COMMISSIONER HARRIS: Well, as I understood it,
12 though, and I think it's been somewhat publicized that the
13 Santa Anita issue, which is really a separate issue from
14 some of these other things, anyway, would envision where
15 someone could wager on Santa Anita, but they would not be
16 seeing a TV coverage of Santa Anita?

17 COMMISSION CHAIRPERSON SHAPIRO: No. Let me just
18 try to clarify. Commissioner Amerman and I have met with
19 the good folks at TVG, and also TOC. Everybody has worked
20 very hard and been terrific in trying to accomplish that we
21 would be able to have broadcast of both by TVG and HRTV at
22 Santa Anita and Golden Gate.

23 TVG would retain its exclusive broadcast rights
24 for those other tracks it has, but HRTV -- or, rather,
25 XpressBet would have videostreaming and accept wagers on all

1 of the other TVG exclusive tracks, if I said that properly.
2 And I believe that TVG and TOC have worked out or are close
3 to working out an agreement that would be acceptable to
4 them.

5 Magna, there are still issues, though, that have
6 to be resolved, if they can be resolved, between TVG and
7 Magna, that don't involve TOC. And so that's where things
8 stand and those talks are still ongoing.

9 MR. COUTO: There's one more component, too. To
10 the extent it would impact the interest of the TVG -- so-
11 called TVG California tracks, there is an economic interest
12 impacting them, so we need to get their consent, as well,
13 and approval.

14 COMMISSION CHAIRPERSON SHAPIRO: But everyone -- I
15 mean, I must just reemphasize that everyone has really
16 worked in good faith to try and make progress for the
17 industry. And if we make it, terrific. And even if we
18 don't, I think everyone's made a very good-hearted effort
19 here, and I really appreciate that.

20 COMMISSIONER HARRIS: I think that's great. I
21 think it would be nice if we knew sort of what was going to
22 happen before -- I mean, Santa Anita starts on December
23 26th, so that there's a lot of uncertainty going into.

24 COMMISSION CHAIRPERSON SHAPIRO: We have a
25 somewhat imposed deadline that we've all discussed, and that

1 would be probably within the next ten days.

2 MR. NATHANSON: Yes, that would be correct.

3 COMMISSION CHAIRPERSON SHAPIRO: So that they can
4 publicize it. They've got a lot of setup, and production,
5 and TV stuff they've got to do. Everyone is very mindful of
6 that.

7 COMMISSIONER HARRIS: Yeah, that would be good
8 because we don't want to start getting a bunch of phone
9 calls on December 23rd.

10 COMMISSIONER AMERMAN: Well, I don't think it will
11 happen that way because they really do have an awful lot of
12 things that have got to be put in place. So I forget the
13 deadline, per se, but it's in early December.

14 COMMISSION CHAIRPERSON SHAPIRO: Correct. And I
15 believe there's another meeting that's set up for December
16 2nd, between the parties; is that correct?

17 MR. NATHANSON: The 2nd or the 3rd, yes.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right,
19 if there are any other questions? If not, I would entertain
20 a motion to approve TVG.

21 COMMISSIONER AMERMAN: So moved.

22 COMMISSIONER MORETTI: Second.

23 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

24 (Ayes.)

25 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

1 It's for one year. And thank you.

2 You know what, I'm going to want to enter into the
3 record that Richard Castro also had filled out a card on
4 this to speak. I'm going to also assume his comments apply
5 to TVG as well, unless he comes and amends it.

6 MR. CASTRO: You have my proxy vote, you have my
7 permission.

8 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

9 All right. Now, we're going to go back -- oh, I'm
10 sorry, we have one more. One more.

11 Okay, Jackie?

12 STAFF SERVICES MANAGER WAGNER: Jacqueline Wagner,
13 CHRB staff.

14 The application before you is for an approval to
15 conduct advanced deposit wagering for a new entity here, in
16 California, and that would be Day at the Track.

17 They are proposing to operate from January 1, 2007
18 through December 31, 2008, as an out-of-state, multi-
19 jurisdictional wagering hub.

20 Day at the Track would be new to California. They
21 are an internet pari-mutuel wagering service.

22 Again, they will be operating 24 hours a day, when
23 domestic and international race tracks are available to
24 place wagers. Again, they have applied for a two-year
25 license. Given the sunset of ADW for December 31, 2007, it

1 is appropriate for the Board to consider this application
2 for a one-year term.

3 There are some items that are missing from this
4 application. Day at the Track is still missing -- or still
5 needs racing association contracts for 2007, a Horsemen's
6 agreement for Thoroughbred Owners of California, as well as
7 the California Harness Horsemen's Association.

8 The \$500,000 surety bond is missing, as well as
9 the licensure for the director and partners of Day at the
10 Track.

11 I have been in contact with Mr. Shawn Egide, and
12 he has informed me that they're in process of securing the
13 security bond. The CHRB license is in process. We have
14 received those documentation at headquarters, so we're in
15 the process of completing the licensure for those folks.

16 And staff would recommend that the Board defer
17 taking any action on this application until the necessary
18 documents are provided.

19 Day at the Track is prepared to make a
20 presentation.

21 COMMISSION CHAIRPERSON SHAPIRO: Thank you.
22 Mr. Egide, good morning.

23 MR. EGIDE: Good morning, Mr. Chairman.

24 COMMISSION CHAIRPERSON SHAPIRO: I've reviewed the
25 material that's in front of us, and it was pretty apparent

1 to me that you're not in position at this point that we
2 should issue a license, only because you don't have any
3 agreements with our California tracks, or a lot of them.
4 You don't have a bond, yet, although I saw a letter in the
5 package that said that you could get one.

6 MR. EGIDE: Right.

7 COMMISSION CHAIRPERSON SHAPIRO: And I'm wondering
8 if this isn't something that when you're in position, it
9 wouldn't better be heard at that time. Because I think
10 there are simply too many missing pieces for us to spend the
11 time, today, to go through this and try to consider issuing
12 a license when I think you might agree you're not in a
13 position, yet, at that point to do that.

14 MR. EGIDE: Well, Mr. Chairman, my name is Shawn
15 Egide, I'm the co-founder, I'm here, joined by my partner.
16 Mike Goerner is one of the co-founders. One of our Board
17 Members, Mark Egide, who is with me, as well.

18 I hear and I understand your concern, and with
19 regards to the four issues that Ms. Wagner brought up, the
20 half-a-million-dollar bond we can have that issued in less
21 than a two-weeks time frame. In speaking to our bonding
22 company, I mean, it can be executed very quickly.

23 With regards to the TOC, we have been speaking to
24 Mr. Couto for over a year and a half, now, e-mails, phone
25 calls, presentations, documentation, proposals. I have

1 flown down to meet his group at Del Mar. I have met him,
2 recently, at Golden Gate Fields.

3 So we've been trying for a year and a half now to
4 get an agreement with the TOC.

5 And, in addition to that, I have spoken to every
6 single race track in California multiple times. I have been
7 out, actually, to Magna's corporate facilities three times,
8 personally. Have met Frank Stronach, Dennis Mills, Ron
9 Luniewski, Ron Charles, Joe DeFrancis. You name it, we've
10 met them.

11 The issue that continues to come up from every
12 single California race track, when we meet with them, is do
13 you have a TOC agreement. And so, in other words, there has
14 been no resistance, unless I'm misunderstanding something,
15 from the California race tracks, to want to do business with
16 us. But I always keep running into basically that brick
17 wall of do you have a TOC agreement. And we've been trying
18 for a year and a half, now, to get an agreement with the
19 TOC.

20 So it has not been -- when I look at these four
21 issues, bond can be taken care of in less than two weeks.
22 The license, as Jackie mentioned, she sent out the
23 fingerprint cards and all that, we're getting that done over
24 the next week or two.

25 TOC agreement, we've -- Drew basically had

1 provided us a hub rate. However, there were some conditions
2 that were put on that hub rate that we have to sort of echo
3 Mr. Daruty's comments, today, that have not been imposed on
4 the other ADW companies. That being that he would issue us
5 this agreement only if we had all the California content in
6 place.

7 Well, there are clearly some ADW companies here,
8 that you've approved, that do not have all of the California
9 content, unless that has just changed based on the agreement
10 that I heard, that TVG has just made with TOC.

11 So it has not been for a lack of trying. I mean,
12 I have contacted every single California track a dozen
13 times, spoken to every single one of them. They all know
14 me, there isn't one --

15 COMMISSION CHAIRPERSON SHAPIRO: There's no doubt
16 you've tried and you're very persistent. I can give you
17 that, okay. I've had enough messages, so I understand that.

18 But to come before us, I think at this point,
19 without working out the agreements that you need, you don't
20 have agreements with the tracks, and with the Horsemen on
21 the hub rates, and the hub fees. And before we get into
22 some of the other issues, I think that has to come first.

23 Why you don't have them, it's not our place
24 to -- I don't think it's our place to mandate that TOC and
25 your company enter into an agreement. It's just a matter

1 of, you know, is the cart before the horse.

2 MR. EGIDE: Well, and that's where we're trying --
3 I keep getting into that conversation with the tracks. I
4 keep mentioning to them that why can we not get the
5 simulcast agreement in place, first, conditional on the fact
6 that -- I mean, we're not going to just get a simulcast
7 agreement and throw somebody's track up on our system. I
8 mean, that's suicide. I mean, we'd get it pulled, they'd
9 never talk to me again, they wouldn't want to do business
10 with us again.

11 But I continue to get this, as you mentioned, the
12 cart before the horse, well, you need the TOC agreement
13 first. Well, then we try to get a TOC agreement and we
14 can't. And yet, I'll talk to the tracks and I'll say, well,
15 can we get the agreement with you conditional on the fact
16 that we hope to work out an agreement with the TOC. And I
17 keep getting, well, you need the TOC agreement, first.

18 So I'm sitting here in just perpetuity or
19 just -- you know, I'm sitting here sort of, you know, which
20 is first and how do I get this rock to move along a little
21 faster. And again, this hasn't been going on for two
22 months, this has been going on for -- actually, the first
23 time I contacted the TOC was November of '04. So this has
24 been a two-year process that we've been -- I'm trying to
25 find out, basically, where's the clarity here.

1 I mean, we have 105 race tracks on our system. We
2 do business with all of the Best of Breed suppliers in the
3 industry, Equibase, Amtode, Track Master, Track Data. We
4 videostream up to 50, 55 race tracks per day. So I'm trying
5 to find out how do we get past this issue?

6 COMMISSION CHAIRPERSON SHAPIRO: Well, why don't
7 we ask Mr. Couto if he'll come forward and perhaps he can
8 share with us what issues he has?

9 MR. COUTO: Drew Couto, Thoroughbred Owners of
10 California.

11 The issues that we have discussed with Mr. Egide,
12 initially, were we couldn't give them produce currently
13 because, as we understood, their license, currently issued
14 in the State of Idaho, limits them to accepting wagers in
15 the State of Idaho, from Idaho residents, only. So we
16 weren't going to give them produce that they could use
17 throughout the country without a valid license, so that was
18 issue number one.

19 Issue number two was we had found that it was
20 problematic with the ADW companies when they don't have all
21 the content, we have all the problems we've had for the last
22 few years, and that is that they tend to shift their play to
23 out-of-state signals when they don't offer California
24 content.

25 So we said, look, talk to everyone, get their

1 content, and then come talk to us. Let us know when you
2 have received an agreement from a racing association, saying
3 that they will give you their content, or you have spoken to
4 TVG, to find out from TVG if they will sublicense you on
5 this content. When you've done that, come back to us, we'll
6 give you an agreement.

7 I told Mr. Egide that the rates, the hub fee rates
8 would be the following rates. They don't seem to be a
9 problem with them.

10 So we're waiting, while he's -- I think he's
11 caught in a vicious circle, and is somewhat blaming us, but
12 we've told him we've been consistent, we can't give it to
13 you today, you're not licensed for any place other than
14 Idaho.

15 And, two, we want to see that you have content
16 from all our track partners so that you're not shifting play
17 to out-of-state signals. When you do that, we'd love to
18 give you an agreement.

19 MR. MARK EGIDE: Mr. Chairman, I'm Mark Egide, I'm
20 a relative newcomer to the business, but I sat in on the
21 last CHRB Board meeting and I'm not clear on -- my
22 understanding, from some of the other ADW companies at that
23 meeting was we have two separate issues, the TOC agreement
24 and the CHRB license are two separate issues. That licenses
25 have been issued without TOC agreements in the past.

1 So although we'd love to have a TOC agreement,
2 we're still going to apply for the license, regardless of
3 whether we have it or not.

4 We want to get it and I think Drew wants to have
5 it, too. But I think to impose a requirement, which I do
6 not believe is the law that you have to have all content in
7 California, I think is an unreasonable and unfair request.

8 I think it's an anti-business request that will
9 inhibit competition. It's just not reasonable to expect
10 every ADW company that comes up through the ranks to have
11 every single California track. It subjects you to too many
12 things. TVG agreements that are exclusive, that's out of
13 our control.

14 Personal issues that someone might have with
15 people in various companies, those are out of our control.
16 And it's not the law that you have every -- my
17 understanding, anyway, is it's not the law that you have
18 every single track in California.

19 So to make that a condition of having their
20 agreement that, in and of itself, puts us between a rock and
21 a hard place.

22 COMMISSION CHAIRPERSON SHAPIRO: Well, I don't
23 think this Board is saying that you have to have agreements
24 with all of the various tracks. What I looked at was the
25 only track you appear to have an agreement with is

1 Sacramento Harness, is that correct, in California?

2 MR. EGIDE: Yeah, it is. And, again, every
3 single, almost -- you know, I don't want to speak out of
4 turn, but I've spoken to the people at Bay Meadows,
5 Hollywood Park, Paul Porter, at Del Mar, every single one of
6 these people wants to do business with us. And I hope I'm
7 not speaking out of turn, but they've all indicated that
8 they want to do business with us, but what I keep coming
9 back to is the TOC.

10 And again, I would just disagree -- I'm not trying
11 to blame anything on Drew. Drew and the TOC, they've
12 invited me down to meetings, they've offered us an
13 opportunity to even put together a business-to-business
14 proposal for them. They've been a lot of things that
15 they've been very nice in terms of allowing us to meet with
16 their staffs and their committees.

17 We're not looking to apply blame here, sir.

18 COMMISSION CHAIRPERSON SHAPIRO: No, I understand.

19 MR. EGIDE: As Drew says, the vicious cycle. We
20 just want to know is can I now go to the California tracks
21 and say we now have TOC approval, or conditional.

22 COMMISSION CHAIRPERSON SHAPIRO: Are you licensed
23 to accept wagers in Idaho?

24 MR. EGIDE: Well, I don't want to get into the
25 whole, you know, licensing issue, quite frankly, sir,

1 because I have spoken to every single jurisdiction in the
2 country. I feel -- I've been doing this for five years and
3 to say that there is -- as Wilson Shirley, who I believe
4 works with the TOC says, to say that there's ambiguity in
5 the law regarding ADW across the country would be the
6 understatement of the century.

7 There are also companies in this building, or
8 assuming they're still here, that do business with a group
9 out of St. Kitz, that issues a license from St. Kitz, which
10 doesn't even have a race track.

11 So I really don't want to head down that path, I
12 want to stay focused on our California license and our
13 application for California.

14 COMMISSIONER HARRIS: Isn't part of the problem,
15 though, that TVG does have exclusives with some of the
16 tracks, like such as Del Mar, that you really have to work
17 through them, probably, before you can really do anything
18 with Del Mar?

19 MR. EGIDE: Yeah, and I've had several
20 conversations with Mr. Nathanson, he's been nice to pick up
21 the phone. One thing that Drew had requested that I do,
22 which I have copies of, is he asked me to send a letter of
23 intent to both Magna and TVG, that they would agree to work
24 with us if we had a TOC agreement.

25 I've sent those both to Mr. Daruty,

1 Mr. Nathanson, have never received a response from either.

2 So again, we get back to the scenario of, you
3 know, there is nothing we can't do with the four conditions
4 that Ms. Wagner laid out, that are not easily rectifiable by
5 January 1, if people will work with us, or if we can get
6 some closure on the issue.

7 Now, can I now call up Bay Meadows, Hollywood, Del
8 Mar? Can I contact Magna and say that I have a TOC
9 agreement or that I have even a conditional TOC agreement or
10 a conditional license from the State.

11 That's the problem I continue -- you mentioned,
12 Mr. Shapiro, contracts. Well, again, every one of these
13 people knows me, every one of these people knows Day at the
14 Track, and I have not run into one of them that has been
15 objectionable to working with us.

16 MR. MARK EGIDE: I'd like to add to that, I'm not
17 sure why Drew is putting this must have all content in
18 California condition on Day at the Track. I recognize Day
19 at the Track is a small company but, truthfully, I've been
20 an investor in many companies and what really motivated me
21 to work with Shawn and Mike was their enthusiasm, their
22 expertise. They came to Greyhound racing with a business
23 model, that they developed, they developed all their own
24 software. And in two years, from a start-up company, with
25 no business, they've become one of the top two Greyhound ADW

1 companies in the country.

2 And I think their business model works. It's
3 based on customer service. It's a no-fee business, so it's
4 good for the consumer. And the business model they have
5 developed, I think, would be very, very beneficial to the
6 California Horsemen, to California racing, horse racing,
7 thoroughbred racing in general.

8 And there's no reason their business model
9 couldn't do exactly in thoroughbred what it did in Greyhound
10 and harness. And I'm confident that it could and that's one
11 reason why I'm so excited about what they've done.

12 MR. EGIDE: Well, and part of the other thing that
13 we do, when you look at the Power Point that we presented to
14 you, Commissioner Amerman, I believe, made the comment about
15 updating graphics, and things like that in XpressBet. One
16 of the things that you'll see is we've just relaunched the
17 site yesterday, so it's a completely new look and feel on
18 the website, number one.

19 Secondly, you'll see a product in there that we're
20 going to launch in the next several months, called Racing
21 Day. There's been a lot of discussion in the last few
22 meetings about the dot-net products. You know, how are you
23 going to train, educate, bring new people, bring younger
24 people into racing, because the average age of a race
25 player, I believe, is 48 or something to that effect.

1 Now, this product has dynamic graphics, much
2 better, broader appeal in terms of the fact that it's a
3 youth-oriented site. At the same token, it also has across
4 demographic appeal, we have found out.

5 And secondly, Chairman Shapiro, you made a comment
6 about TVG and the Japan Cup, that you said it was a fabulous
7 presentation. One of the sections we're building in this
8 site, called Racing Day, is called What's On, which
9 basically means that the one main thing that you're seeing
10 all over the country, whether it's MS-NBC, Fox News, CNN is
11 the repurpose of content that has been produced digitally.

12 Now, you've got various TVs and cable companies in
13 this room, HRTV, TVG, 10-10, At The Races, all of these
14 folks, and none of these people, unless I'm misunderstanding
15 something, are repurposing this content in a distribution
16 for the web, like what we want to do on Racing Day.

17 And what we want to do with Racing Day is develop
18 a subscription-based model to where we share the revenue
19 with the Horsemen, with the race tracks, with the content
20 providers from day one. We want the content providers, and
21 everybody that participates in this process to share in the
22 revenue.

23 Because there's more revenue opportunities than
24 just handle in this business. And I've yet to hear anybody,
25 in the meetings I've attended, talk about other revenue

1 opportunities for the Horsemen, for the tracks, outside of
2 just handle.

3 And the perfect example I can bring up is
4 there's -- every year, off of this coast, off of San Mateo,
5 there's a surf tournament called the Maverick Surf
6 Tournament, one of the biggest surf tournaments every year
7 across the world.

8 Three or four years ago, just as a lark, they
9 threw up a webcam, signed up 40,000 people, paid 4.95 for
10 the day. Two years later or three years later it's now a
11 cottage industry, they have sponsorship from Verizon, large
12 major corporations all across the country.

13 Why can the same thing not be done with California
14 content for replays, webcasting. You've mentioned, when
15 I've been in these meetings, you know, the California fairs,
16 what are you doing to advertise and promote the fair? Well,
17 these people, if they do a TV commercial, we can take that
18 VHS, repurpose it on racing day and give them free
19 advertising, tell them to come out to the track. We want to
20 be an ADW company to help people go out to the track. We
21 think it provides a broader experience for the consumer. We
22 have a lot of our players that play two or three days with
23 us at the track -- on us, they go two or three days to the
24 track.

25 It's the same sort of example when everybody said

1 the home espresso machine was going to put Starbucks out of
2 business. Well Starbucks is half about coffee and half
3 about the social experience of going out and reading the
4 paper, and drinking coffee.

5 So we have come to this Board with various ideas
6 and ways to offer more revenue to the tracks, more revenue
7 to the Horsemen, outside of just the ADW. But we're in this
8 cycle of, you know, which came first, the TOC agreement or
9 the race track agreement.

10 COMMISSION CHAIRPERSON SHAPIRO: Well, look, I
11 appreciate all your thoughts, I really do, and I appreciate
12 your desire to take it forward. But the only place right
13 now where it appears we could license you would be with
14 Sacramento Harness, because that's the only agreement you
15 have in place with the track and that's the only place that
16 I see that we could consider to license you.

17 MR. EGIDE: That would be fine. And then if we
18 get the other tracks in time, do we just process?

19 COMMISSION CHAIRPERSON SHAPIRO: Well, again, I
20 would assume you can come in and ask for a modification to
21 your license.

22 COMMISSIONER HARRIS: I think the issue there,
23 though, which has been discussed, the law isn't that clear,
24 but I think it's a problem if we license somebody due to
25 their nexus with Sacramento Harness and that ends up

1 cannibalizing wagering that could have conceivably been on
2 thoroughbred races in California. I mean, there's no
3 thoroughbred benefit from that, if somebody's betting --
4 well, first of all, I'm not sure if we can even bet on dog
5 races in California, so that --

6 MR. EGIDE: I don't believe you can. And that's
7 from a technology stand point, that would take Mike about
8 six minutes, basically, to block out a California resident
9 from wagering on a specific breed. From a technical stand
10 point, that's very easy to do.

11 MR. MARK EDIGE: But the opposite, John, of what
12 you're saying is true, also, that if the thousands of
13 Greyhound people that are betting on Day at the Track right
14 now all of the sudden have California thoroughbred available
15 to them, you potentially have significantly additional
16 revenue from those people.

17 COMMISSIONER HARRIS: I appreciate the innovation
18 and new ideas and I think we need competition, I'm just
19 trying to find the ripple effect of what the impact is on
20 California and how that needs to be mitigated.

21 COMMISSION CHAIRPERSON SHAPIRO: What I would like
22 to do is, because I have other questions and they go to your
23 income statement, your balance sheet, and things like that,
24 I would prefer, if possible, to bring this back and see if
25 you can't sit down, and if we can help facilitate it, let

1 you sit down with the tracks and TOC, and see if there isn't
2 some way to see whether or not we can enlarge this.

3 I'm concerned about, also, just the licensing an
4 ADW operator just for one race meeting. Because we don't
5 want to -- you know, you want to be profitable, we want you
6 to be profitable and yet we want to make sure it benefits
7 the industry as a whole.

8 So would that be acceptable to this Board, that
9 perhaps we could defer that and yet, also, encourage and ask
10 that staff arrange for a meeting with the various tracks and
11 the Horsemen to see if they can bring this application to a
12 point where we can then more fully understand it?

13 Yes, Mr. Schick?

14 MR. SCHICK: Good morning, Chairman Shapiro,
15 Christopher Schick, Sacramento Harness.

16 I just want to say, for the record, it's been kind
17 of implied here that we have an agreement with Day at the
18 Track which, in fact, we do not have an ADW agreement with
19 Day at the Track, nor have we ever negotiated an agreement
20 with Day at the Track for ADW. In fact, quite the contrary,
21 when Mr. Egide first called me, I told him quite clearly
22 that I was not interested in talking with him about becoming
23 a licensed ADW California provider. I did sign a standard
24 simulcast contract with him, for him to take wagers on
25 Sacramento Harness product for out of state residents, like

1 I would any other place that was doing business. But we
2 never envisioned any type of him doing business in
3 California under any agreement that we negotiated. So I
4 just want to put that out there for the record.

5 MR. EGIDE: And, Mr. Schick, I want to concur with
6 that. I mean, I apologize if you --

7 COMMISSION CHAIRPERSON SHAPIRO: Well, I thought
8 you had an agreement.

9 MR. EGIDE: Well, we have a simulcast agreement
10 and I had just -- what I had found out just recently, in
11 fact when Jack and I spoke last week, was that there was a
12 simulcast agreement, then there's a second part to that
13 simulcast agreement which is obviously called the contract.
14 Again, it gets back to me with the whole thing with the
15 tracks.

16 COMMISSION CHAIRPERSON SHAPIRO: All right. Thank
17 you, Mr. Schick. That being the case, again, you don't have
18 any agreement with any California track, so we couldn't
19 issue you a license if we wanted to. We can't.

20 MR. EGIDE: Okay.

21 COMMISSION CHAIRPERSON SHAPIRO: So that being the
22 case, I'd like to defer this and let you come back, and to
23 the extent our staff can help you, I think that they should.
24 And ask that you come back when you have agreements with
25 tracks.

1 MR. EGIDE: How do I approach the subject, then,
2 of you do or you do not have a TOC agreement? That's where
3 the staff will assist us in helping to get that accomplished
4 or --

5 COMMISSION CHAIRPERSON SHAPIRO: Well, I think
6 that you should meet with staff and that you should work
7 with staff to see what steps you need to go through and,
8 hopefully, they will help facilitate that happening. And
9 see if you can't then get agreements with tracks, then
10 agreements with the Horsemen, and as to what the various
11 rates would be, and then bring it back when there's a
12 package here.

13 MR. EGIDE: Which is first? So if I just get the
14 tracks then --

15 COMMISSION CHAIRPERSON SHAPIRO: I think the
16 tracks.

17 COMMISSIONER AMERMAN: I think it's very clear
18 that you have to go to the tracks, first. I think we heard
19 Mr. Couto say that -- and you've had meetings with him, that
20 once you have the agreement with the tracks, he can sit down
21 in good faith and do business with you.

22 MR. EGIDE: Okay, and that's great. And the only
23 thing is I've heard the opposite from the tracks, is the
24 only thing I'm concerned about.

25 COMMISSIONER AMERMAN: Well, I don't know, I'm not

1 part of those discussions.

2 MR. EGIDE: Okay, so --

3 COMMISSION CHAIRPERSON SHAPIRO: I think that's
4 the best we can do and I would suggest that please contact
5 staff, and to the extent that we can help facilitate
6 meetings, then I think that would be in your best and,
7 hopefully, horse racing's best interest. And we thank you.

8 MR. EGIDE: Okay, appreciate your time, sir.

9 COMMISSION CHAIRPERSON SHAPIRO: Do we need a
10 five-minute break? All right, we're going to take five
11 minutes and then we'll come back.

12 (Off the record.)

13 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right,
14 we're going to start from the top. The first issue is a
15 report from representatives from Magna Entertainment Corp.
16 on the progress of the redevelopment of the barns at Santa
17 Anita. If Mr. Dimarco would come forward? Good morning,
18 Mr. Dimarco.

19 MR. DIMARCO: Good morning. I'm Frank Dimarco,
20 from Santa Anita. I think we've made substantial progress
21 on this matter since the last meeting. I've had two
22 sessions with the city manager and the head of development
23 for the City of Arcadia, and they both assured us that they
24 will be in a position to issue us a permit to demolish the
25 ten barns we have in mind and to issue a new permit to

1 rebuild them, subject to one caveat, which is because of the
2 fact that we are now on the National Register of Historic
3 Sites they have to get CEQA compliance.

4 They have asked their city attorney to review the
5 CEQA elements under the National Registration Act, and
6 they're going to advise us of what we can do and what we
7 can't do. We've also hired our own historic registration
8 site expert, who is reviewing the permit and reviewing the
9 CEQA regulations, and we should have a pretty good idea of
10 what we can do and how fast we can do it, within the next 30
11 days.

12 In the meantime, we have received bids from
13 geological survey people, telling us what the earthquake
14 problems might be. We've also put out RFPs for what it's
15 going to cost to build these things, and we are doing our
16 own internal timeline on how fast we can do it.

17 We can't really do anything further, definitively,
18 for another 30 days, until we get the reports from the
19 Historic Registration people.

20 That's where we are and I'll be happy to come back
21 every month and report the progress.

22 COMMISSION CHAIRPERSON SHAPIRO: Well, I want to
23 thank you. And I know that you and I, and Ron Charles did
24 meet with the City. They understood the issue, I thought
25 they were very cooperative. I now better understand what

1 the complexities are and I think the key will be the CEQA
2 issue, so that we can figure out how to get around the
3 historic designation that this is a repair and a rebuild.
4 But from the meeting that I had with you and them, it
5 appears that this is something that is achievable and we
6 certainly want to see that proceed as quickly as possible.

7 What I would suggest, if other Commissioners don't
8 have questions, is that we ask you to come back in a few
9 months and report back to us, because I think this is
10 something we should stay on top of.

11 MR. DIMARCO: Very well, we'll do that.

12 COMMISSIONER HARRIS: This historic designation,
13 is this a State version, or a federal version, or who's --

14 MR. DIMARCO: Well, it's a combination. The way
15 it works is that the State Office of Historic whatever's
16 takes all the evidence, has a hearing, examines all the
17 issues and they make a recommendation that it's eligible or
18 not eligible for registration on the National Register.

19 They voted on that four to three in favor. It was
20 then sent to Washington. Then about two months ago we got
21 word from Washington that it is eligible for the National
22 Register. So it's a combination of the two.

23 And under the rules and regulations promulgated by
24 the National Registration, they have to comply with certain
25 CEQA requirements, which is what we're in the midst of

1 trying to do, now.

2 COMMISSIONER MOSS: Did you have to go through all
3 of this when you redesigned some areas of the grandstand,
4 and made the new restaurant and --

5 MR. DIMARCO: No, because it had not yet been
6 declared a historic site.

7 COMMISSIONER MOSS: But when, exactly, was it
8 declared a historic site?

9 MR. DIMARCO: September the 22nd of this year.

10 COMMISSION CHAIRPERSON SHAPIRO: It's important to
11 understand that the party behind designating it a historic
12 site was Westfield Corporation, which is in a dispute with
13 Caruso and wanting to stop the development of the shopping
14 center at Santa Anita. So this was a rather strategic step
15 to organize this historic designation.

16 COMMISSIONER MOSS: But you have the right to
17 either agree to it. As an owner of the property, don't you
18 have --

19 MR. DIMARCO: No, you don't, that's what's so
20 bizarre about all this. They can do it over your objection.
21 We put on a violent objection. We had a hearing that lasted
22 about four hours in Sacramento, and they just overruled us
23 period.

24 Now, it's eligible, okay, but it doesn't make it -
25 - we would have to take a step and say, okay, folks, we want

1 to be registered on your National Register. The benefits
2 you get from that are some kind of a tax break if you decide
3 to do certain things, or use it for some historic purpose.
4 We're not interested in any tax benefits and we're not
5 interested in being on the Register, but here we are, we're
6 eligible. And once you're eligible, all these CEQA rules
7 and regulations kick in.

8 COMMISSIONER AMERMAN: Well, certainly logic would
9 say that we don't want a historic site that is crumbling
10 down in front of us, and it would seem that there's some
11 words there, like rebuilding, repairing, and so forth, that
12 would work with everybody involved.

13 MR. DIMARCO: There are. There are and that's
14 what we're pursuing, yes.

15 COMMISSION CHAIRPERSON SHAPIRO: I will tell you
16 that the City understood and we both made the case that this
17 is something that this Board is mandating be done, that it's
18 for the health and the safety of the workers and the horses
19 that are back there, and I think the City is going to work
20 us in every way possible to achieve this. And I think that
21 there are ways to get it done, it's just a matter of steps
22 that they have to go through, now that there's this
23 historical designation.

24 COMMISSIONER AMERMAN: I would applaud what's
25 being said here, in that I would think that we'd want to put

1 a sense of urgency on it, even though maybe we only have
2 three minutes of your time, Mr. Dimarco, to say that there's
3 been no progress. But I would hope every month we could
4 talk about this for three months because, certainly, it
5 needs to be done and done as soon as possible.

6 MR. DIMARCO: I agree, I've offered to do that.
7 I'll be here at every meeting. I'm here every month and
8 next month I'll give you another report.

9 COMMISSIONER AMERMAN: Thank you.

10 COMMISSION CHAIRPERSON SHAPIRO: That would be
11 terrific, thank you.

12 EXECUTIVE DIRECTOR FERMIN: Put you on the agenda.

13 COMMISSIONER MORETTI: Is there anything that we,
14 as the CHRB, can send, a letter other conversations?

15 COMMISSION CHAIRPERSON SHAPIRO: I can tell you
16 that I did speak with Westfield, too, because I wanted to at
17 least explain to them that this has nothing to do with the
18 shopping center, and I know people there, and the transcript
19 does reflect that it was that this Board was mandating that
20 Santa Anita move forward with this project.

21 So I certainly would offer to you, if any, that
22 the Board would certainly support issuing a letter, but you
23 already know that. But the transcript does reflect what the
24 Board's wishes are.

25 All right, thank you, Mr. Dimarco.

1 MR. DIMARCO: Thank you.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay. Before we
3 go any further, why don't you, Ingrid --

4 EXECUTIVE DIRECTOR FERMIN: Just wanted to take a
5 moment and introduce to you the new Assistant Executive
6 Director for the California Horse Racing Board, and we're
7 very glad to welcome Richard Bond Smith. He comes to us
8 from the --

9 (Applause.)

10 EXECUTIVE DIRECTOR FERMIN: -- Department of Motor
11 Vehicles, and also has a lot of experience with the
12 Department of Finance, and also happens to be a racing fan,
13 which is an odd combination to find with some of the people
14 in Sacramento, so I'm very delighted to welcome him, and I
15 know that you'll all enjoy working with him. Thank you.

16 COMMISSION CHAIRPERSON SHAPIRO: I should just add
17 to it. One of the things that the CHRB has to deal with is
18 budgetary changes, and so we have not done what are called
19 BCPs for a long time. Last year we did, I think, one, which
20 was the first time in God knows how long, in 15 years, and
21 that's called a budget change proposal. So as times change,
22 and we need more money, we have sat pretty dormant and not
23 doing that. Bond brings a wealth of experience to help us
24 there so that, hopefully, our budget can grow and it will
25 help us with medication testing and things like that, so

1 that we can serve the industry better.

2 So it really is wonderful that Bond is here.

3 The second item is this -- and Jackie's getting
4 up, so you go for it.

5 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
6 CHRB staff.

7 At the October meeting of the Board all the racing
8 schedules for 2007 were approved, except the harness dates.
9 As you know, Cal-Expo is the current venue for harness
10 racing and they have submitted the request for the following
11 dates for their 2007 race year. Cal-Expo is requesting that
12 harness race dates run from a period of December 26th, 2006
13 through July 28th, 2007, and again from September 21st, 2007
14 through December 22nd, 2007.

15 They are asking that those dates be allocated for
16 the harness racing dates at Cal-Expo.

17 In addition, there is a second request from Cal-
18 Expo and they are requesting that the allocation for the
19 harness racing dates during the period of July 29th through
20 September the 20th be approved for the harness racing at
21 Cal-Expo during that particular time or, if the Board
22 prefers, they can refer the matter to the Strategic Planning
23 Committee.

24 Staff would recommend that the Board adopt the
25 request from Cal-Expo.

1 COMMISSION CHAIRPERSON SHAPIRO: Jackie, are
2 those -- we don't have calendars in our book. Are those
3 dates the same dates that they ran in 2006?

4 EXECUTIVE DIRECTOR FERMIN: I believe they are.

5 MR. ELLIOTT: Chairman Shapiro, Dave Elliott,
6 California State Fair. If I may, in 2006 Sacramento Harness
7 basically has run year-round at Cal-Expo. So these dates,
8 for '07, basically mirror the dates that were operated at
9 Cal-Expo in '06.

10 COMMISSION CHAIRPERSON SHAPIRO: That's what I
11 thought.

12 COMMISSIONER HARRIS: Maybe I misunderstood, but
13 this opening date will be December 28th or December 26th?

14 STAFF SERVICES MANAGER WAGNER: December 28th.

15 MR. ELLIOTT: It would be 28th per their license
16 application, Mr. Harris. At the time -- if I can clarify, I
17 apologize if this wasn't clear at all.

18 On September 7th, when we sent this letter in, we
19 were negotiating for thoroughbred dates for 2007 at that
20 time. Since that time, though, prior to the November 4th
21 letter, when we got together with the Northern California
22 industry, the TOC, CARF, CTT, the tracks and all of that,
23 and for one more year we were going to give up thoroughbred
24 racing, if you will, during the State Fair period, that's
25 why it's a little bit cloudy as far as the dates for '07.

1 But our letter stands of '07 -- or I mean, of
2 September 7th, stands as is, and then we felt a need to
3 clarify it further with our letter of November 4th.

4 EXECUTIVE DIRECTOR FERMIN: Commissioner Harris,
5 their opener on the 28th coincides with the opening for Los
6 Alamitos.

7 COMMISSIONER HARRIS: Okay. So there is a stake
8 meet, though, that's a different meet for Sacramento
9 Harness, than Cal-Expo?

10 MR. ELLIOTT: Sacramento Harness, as of this date,
11 will operate the harness meet at Cal-Expo. Historically,
12 this Board has allocated the dates to whoever owned the real
13 estate, that's what's been done historically.

14 COMMISSION CHAIRPERSON SHAPIRO: Yeah, but I think
15 his question is you are going -- Cal-Expo's going to
16 contract with Sacramento Harness to operate its fair
17 meeting; is that correct?

18 MR. ELLIOTT: Yes, sir, as of this date that is
19 the current plan.

20 COMMISSION CHAIRPERSON SHAPIRO: So the difference
21 is it will be a different --

22 COMMISSIONER HARRIS: Technically, it's a
23 different meeting.

24 COMMISSION CHAIRPERSON SHAPIRO: It's a different
25 licensee, but it is the same operator as a manager.

1 MR. ELLIOTT: Just as we contracted in those
2 stakes.

3 COMMISSION CHAIRPERSON SHAPIRO: Just as it was
4 last year?

5 MR. ELLIOTT: Yes, sir.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay. Are there
7 any other comments to modifying the calendar? If not, I'll
8 entertain the motion to approve it.

9 COMMISSIONER HARRIS: So moved.

10 COMMISSION CHAIRPERSON SHAPIRO: Second?

11 COMMISSIONER MORETTI: Second.

12 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

13 (Ayes.)

14 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

15 Item Number 3.

16 STAFF SERVICES MANAGER WAGNER: Jacqueline Wagner,
17 CHRB staff. The application before you is from the
18 Sacramento Harness Association and they are proposing to run
19 a race meet beginning December 28th through July the 28th,
20 2007. They're proposing to race a total of 118 nights, with
21 1,475 races. They will be racing Wednesday through
22 Saturday, with a first live post time of 5:35 p.m. on
23 Wednesdays and Thursdays. They will have a 5:35 p.m. post
24 time on Saturdays and Sundays through April the 28th.

25 A 6:20 p.m. post time is proposed for Friday and

1 Saturday, beginning May 4th, running through the end of the
2 meet.

3 A 5:00 o'clock p.m. post time will be conducted on
4 Friday, December the 29th, January the 5th, January the
5 12th, and February the 16th.

6 The analysis indicates that their Horsemen's
7 agreement is outstanding and I'm pleased to report that that
8 has been submitted to me as of this morning.

9 Their ADW providers are TVG and Youbet. And staff
10 would recommend that the Board approve the application as
11 presented. And we do have a representative here to answer
12 any questions.

13 COMMISSION CHAIRPERSON SHAPIRO: Good morning,
14 Mr. Schick.

15 MR. SCHICK: Good morning, Chairman Shapiro,
16 members of the Board.

17 COMMISSION CHAIRPERSON SHAPIRO: In the past
18 there's been problems with your photographic timer. I think
19 a couple times the photo finish camera operator didn't show
20 up, and things like that. And it appears to me it's the
21 same licensee this coming year. Have those problems been
22 worked out once and for all?

23 MR. SCHICK: Yeah, I believe they have. Just I
24 remember this was brought up at the last license and we had
25 a complaint filed against us, the operator was about three

1 races late one day.

2 COMMISSION CHAIRPERSON SHAPIRO: I think it
3 happened more than once, that's why I'm bringing it up.

4 MR. SCHICK: Well, I think it happened in prior
5 years at Capitol Racing, but once for sure during us. And,
6 obviously, I think that brought about a good change, maybe,
7 in California, because now all of the associations have
8 trained a backup, there was no requirement. So we do have a
9 backup that is trained to step in there, in the event
10 something happens to the photo finish operator. And I think
11 some of the other associations have done the same.

12 COMMISSION CHAIRPERSON SHAPIRO: I didn't know
13 that. That's good. Also, I see that all of your -- all
14 races of \$15,000 or more go into a detention barn. Yet,
15 when you look at your late closing events, it would appear
16 that number should be 10,000. Because other than your sire
17 stakes and this Diamond Alliance, all of your -- the reason
18 why you're not putting these other stakes in there, these
19 \$10,000 stakes?

20 MR. SCHICK: No, not specifically. I think
21 originally we made some changes in the closing schedule and
22 they were reduced from what they originally proposed. So
23 that certainly is -- originally, I think most of those were
24 going to be 15. So I think they should be in the detention
25 barn and --

1 COMMISSION CHAIRPERSON SHAPIRO: Will you agree,
2 then, that those stakes also go into the detention barn?

3 MR. SCHICK: Yes, I will. And I don't think
4 the -- Mr. Perez is here, I believe, I don't think he's have
5 any objections to that on behalf of the CHHA, either.

6 MR. PEREZ: Hi, Jim Perez, CHHA. We don't object
7 to that.

8 COMMISSIONER HARRIS: Could we get some feel, one
9 of my concerns on this meeting, which I'm supportive of
10 harness racing in general, but are we generating enough
11 money there to pay the CHRB expenses, because CHRB incurs
12 stewards, and medication testing, and investigators, and
13 we've got a fairly expensive operation to oversee that meet.
14 And my impression was that the license fees that are going
15 to the State of California are pretty low from that meet.
16 Does anyone have those numbers?

17 EXECUTIVE DIRECTOR FERMIN: You mean the cost to
18 the CHRB because of the expansion of harness racing?

19 COMMISSIONER HARRIS: Well, not necessarily
20 expansion, just that every night you're spending money that
21 CHRB is spending money, and I'm not sure if we are -- that
22 the concept, as I understood, of what we're trying to do is
23 that it would be somewhat of a user pay type thing, that
24 people -- that the funds coming in, which is true -- I think
25 in the other breeds is true. But I think the funds coming

1 in from the harness may not be enough to pay the daily cost.

2 EXECUTIVE DIRECTOR FERMIN: I think this is
3 something that we probably needed to have thought about
4 before the dates were okayed, because we probably would have
5 had to do some kind of a BCP for that. Because when they
6 did expand it's true, we did have to have more stewards, we
7 had to have more investigators there, as well as official
8 veterinarians, but that's really after the fact, now.

9 COMMISSIONER HARRIS: Well, I don't know if we can
10 really solve it today, but I'd like to have somebody develop
11 those figures to see where we are, because the bigger issue
12 is that California, in total, is not generating the license
13 fees that we were, and it used to be there was enough money
14 that it was sort of irrelevant. But now it's a pretty tight
15 budget and we need to see where the money's coming from and
16 where it's going.

17 COMMISSION CHAIRPERSON SHAPIRO: I think that's a
18 very good point and perhaps staff can look at just what it
19 is costing us at the CHRB on daily basis for each race day,
20 and see if we are losing money, so to speak, and then we
21 might go back and try to get a BCP, or ask the association
22 to pick up the shortfall, if that's possible.

23 Does anybody else have any other comments? If
24 not, I'll entertain a motion to approve this license.

25 COMMISSIONER AMERMAN: So moved.

1 COMMISSIONER MORETTI: Second.

2 COMMISSION CHAIRPERSON SHAPIRO: There's a motion
3 and a second. All in favor?

4 (Ayes.)

5 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.
6 Schick, good racing.

7 MR. SCHICK: Thank you.

8 COMMISSION CHAIRPERSON SHAPIRO: Item Number 4.

9 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
10 CHRB staff.

11 The application before you is from the Pacific
12 Racing Association at Golden Gate Fields. They are
13 proposing to race from December 26th through February the
14 11th, of 2007, or 31 days.

15 They are proposing to race a total of 265 races,
16 or 8.55 races per day.

17 The race dates proposed are the dates that were
18 allocated by this Board.

19 They will be racing four days per week, Thursday
20 through Sunday, with eight races weekdays and nine or ten
21 races on weekends, holidays, and days of special interest.
22 They will be racing concurrent with the Los Angeles Turf
23 Club.

24 The first post time will be 12:45 p.m., daily.
25 Their ADW wager providers are XpressBet and Youbet.

1 Again, this application, the analysis reflects an
2 outstanding Horsemen's agreement and I'm pleased to report
3 that we have received that agreement as of this morning.

4 And staff would recommend that the Board adopt the
5 application as presented.

6 We have a representative here.

7 COMMISSION CHAIRPERSON SHAPIRO: Good morning,
8 Mr. Tunney.

9 MR. TUNNEY: Good morning, Chairman, members of
10 the Board. Peter Tunney, representing Pacific Racing
11 Association.

12 COMMISSION CHAIRPERSON SHAPIRO: I want to thank
13 you, I've received a copy of your marketing plan for the
14 meet and I thought it was very thorough and I appreciated
15 that it appears that over the last two years you're
16 increasing, considerably, the amount of money that you are
17 investing to attract fans on a track, which I think is very
18 important.

19 MR. TUNNEY: Thank you, and I'll convey that
20 message to Mr. Hartman, who couldn't be here today, and the
21 members of our staff and team that put it together.

22 COMMISSION CHAIRPERSON SHAPIRO: The fact remains,
23 however, that you've still, in looking at it, appear to be
24 within a very close proximity to the track, and the issue is
25 how can you -- is there any other things that can be done

1 for the Bay Area? We see that Bay Meadows appears, you
2 know, to attract a lot more fans than Golden Gate.

3 And, you know, my concern is that in 2009 or
4 whenever Bay Meadows ceases to operate, we have to somehow
5 get those people captive.

6 And in reading this plan, it appeared that a lot
7 of this was geared towards direct mail, and building your
8 mailing list, and things like that.

9 Is there not a possibility, do you share mailing
10 lists with Bay Meadows?

11 MR. TUNNEY: We do not. We've established those
12 lists, though, historically, over the years, so there's a
13 lot of people. And that's when the Bay Meadows management
14 team actually operated Golden Gate for a period of about
15 four years. So we established the basic lists and we
16 continue to work with that database to, you know, slice and
17 dice, as they say. So we've created some of our additional
18 from that period of time, from back to about 2005, where we
19 have additional members of the Thoroughbred Club. But
20 there's a lot of similarities between the two systems.

21 COMMISSION CHAIRPERSON SHAPIRO: Wouldn't it be
22 better, though, for you and Bay Meadows to get together? I
23 mean, you're not competing head to head, ever. So, I mean,
24 it just dawned on me, when I look at the disparity in the
25 business that Bay Meadows does and Golden Gate that, you

1 know, isn't -- shouldn't you guys be trying to draw people
2 to your respective tracks at the time that those meets are
3 open? Is there some reason why that wouldn't be a good
4 idea?

5 MR. TUNNEY: No, I don't think there's any reason,
6 we just haven't done that historically. I don't know
7 whether Bay Meadows, nor would we, like the idea of poaching
8 on the other person's territory.

9 For the most part, these people are mostly -- as
10 you know, in Southern California, they're mostly individuals
11 who live in a demographic and geographic location closest to
12 the track. So we don't think that there are people on the
13 peninsula, for example, that would drive to Golden Gate
14 Fields, or vice-versa in the East Bay, that would drive down
15 to Bay Meadows.

16 But for the economies of putting together a
17 committee of the two tracks to kind of go over that is a
18 good idea and we'd be glad to do that.

19 COMMISSIONER AMERMAN: I, like the Chairman, would
20 applaud your marketing plans and strategies. I think it was
21 extremely well done.

22 One thought would be, if you don't mind, at least
23 share that with our staff and maybe it could be a model for
24 other meets that are coming up, so that we could understand
25 their marketing plans just a little bit better.

1 MR. TUNNEY: We'd be glad to do that, Commissioner
2 Amerman. We actually sent some copies to the staff when we
3 made our amended application, because of the late change of
4 the racing days. I have an extra copy here, I'd be glad
5 to --

6 COMMISSIONER AMERMAN: I particularly liked -- I
7 have one additional comment and then a question for you. I
8 particularly liked the fact that you reached out in consumer
9 research to find out who your customers are. And I don't
10 know what you've done with it, but it certainly was a good
11 first step in trying to find out how you might entice some
12 more people to come to Golden Gate.

13 And along those lines, I think it was down at Del
14 Mar where there was a discussion, or a thought, I believe it
15 was Mr. Hartman, who said, well, we're exploring a ferry
16 from downtown San Francisco to the Golden Gate location.
17 And it just struck me, with all those wonderful financial
18 geniuses, who have a lot of money in their pocket, that that
19 would be an unbelievably great idea to get more people to
20 come over across the Bay. And I was wondering where that
21 project might stand?

22 MR. TUNNEY: Well, since our last meeting,
23 Mr. Hartman and I met with a fellow by the name of
24 Steve Castleberry, who's the head of the Water Transit
25 Authority, and Golden Gate and the Berkeley Marina are on

1 the short list to have their piers rejuvenated, if you will,
2 for ferry service from across the Bay.

3 Right now, the closest location from a ferry
4 service is the Jack London Square, in downtown Oakland. And
5 for years, but recently abandoned, was a ferry service that
6 went up to Richmond, which is eight, ten miles up the road.

7 But we are on a short list, so the Water Transit
8 Authority tells us, to restore ferry service to our
9 locations.

10 COMMISSIONER AMERMAN: Is there any way that we
11 might be of some help to you in that project? I mean, maybe
12 we can't, but it seemed to me such a natural that it ought
13 to be explored with all the energy that we can generate.

14 MR. TUNNEY: Well, we would very much appreciate
15 that. As it gets closer, we will be glad to call on this
16 Board to assist in that matter.

17 COMMISSIONER HARRIS: Well, one thing on this meet
18 is it's going to introduce four-day weeks, and I think
19 that's going to be a very interesting experiment to see how
20 that works, both in building up fields on other days and,
21 hopefully, also in generating revenue on what is a dark day,
22 but you're going to be open for simulcasting.

23 What sort of revenue do you think you'll generate
24 on that dark day?

25 MR. TUNNEY: It's hard to say. It's probably

1 going to be what the product's going to be out there on that
2 Wednesday, either at Santa Anita or out of state.

3 The four-day is not specifically new, we ran four
4 days over the past couple of years in the June meet, against
5 San Joaquin or Stockton. We ran four-day weeks, Bay Meadows
6 did, Golden Gate did against Fresno, three-day weeks there.
7 But it certainly helps on field size, and field size most
8 recently has been very encouraging. So we're hoping, going
9 into this meet, that that will continue.

10 COMMISSIONER HARRIS: I think it will help with
11 purses, too. But one of my concerns is, and it ties into
12 purses, and I realize it's always a balancing act on purses,
13 what stakes proceedings, because a lot of the data in the
14 package is not really comparing apples and apples because it
15 refers back to a different meet.

16 MR. TUNNEY: Correct.

17 COMMISSIONER HARRIS: But I'm bothered that you're
18 really not having -- you cut -- I don't know if it was a
19 cut, but most of the stakes are 50,000, where I think that
20 figure is, you know, been there for quite a while. I think
21 Golden Gate's a little bit more. And there's only eight
22 stakes. I mean, I don't know, it's always tough to do, but
23 I'd like to see a little bit more money on stakes and a few
24 more stakes, because stakes are particularly important for
25 breeders to get black type and, you know, than have more

1 value than just the money, too.

2 MR. TUNNEY: Well, it's a timing issue. We're
3 experimenting, again now, going back to these dates, so we
4 didn't put a lot of stakes in that, in the first part of the
5 meet. The next meet that will come up, we'll have
6 significantly more stakes, which will be dirt and turf
7 racing in the months of May and June. So you'll see a
8 higher percentage, hopefully, in that spring meet, late
9 spring, early summer meet of stake races. Whereas we kind
10 of feel our way along and then, if the opportunity presents
11 itself, we're not shy about putting up an overnight stake,
12 as an overnight race.

13 COMMISSION CHAIRPERSON SHAPIRO: Where do you
14 stand on the timing of putting in tapeta footings at Golden
15 Gate, your synthetic track?

16 MR. TUNNEY: Well, we've engaged engineering
17 companies, we've engaged a hydrologist, and that group has
18 met twice and will meet again a week from today, on the 4th.
19 And that point we would be prepared to move forward with
20 plans and then get the appropriate approvals for those
21 plans. And we want to make very certain that when we move
22 out, in terms of getting approvals, that we have everything
23 in place.

24 COMMISSION CHAIRPERSON SHAPIRO: And currently,
25 what is the date you're pinpointing to the period you're

1 going to install it?

2 MR. TUNNEY: We would hope to start as early as
3 June 15th, when our meet ends, there about, or as late as
4 July the 1st. So the actual construction. But the stable
5 area will close right after our meet in June.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay.

7 COMMISSIONER HARRIS: When you put together your
8 estimate on purses, how did you factor in the four-day
9 weeks? Does your purse estimate basically take any
10 consideration that you may be generating money on dark days?

11 MR. TUNNEY: The purse schedule, and we've done
12 this historically in Northern California, with both Bay
13 Meadows and Golden Gate, tries to get an approximate of
14 somewhere between 132 to 140 thousand dollars a day in
15 overnight racing, not counting stakes. And that's been
16 pretty consistent for the last several years.

17 So what we're trying to avoid is taking, quote,
18 the advantage of the four-day weeks and raising the purses
19 at that point, but then have to come back to a five-day week
20 in May and June and then reduce the purses. So we're trying
21 to get a balance so that when somebody runs in January, they
22 run for approximately the same purse as somebody that might
23 run in May.

24 COMMISSIONER HARRIS: Okay, so you've pooled,
25 basically, both meets.

1 MR. TUNNEY: We'd make an -- pardon me, Mr.
2 Harris, we do make an estimate for the entire year, yes.

3 COMMISSIONER HARRIS: Hopefully, you'll like it so
4 well, you're request that for your later one.

5 MR. TUNNEY: That's correct.

6 COMMISSION CHAIRPERSON SHAPIRO: All right, if
7 there's no other questions, I'll entertain a motion to
8 approve this application.

9 COMMISSIONER MORETTI: So moved.

10 COMMISSION CHAIRPERSON SHAPIRO: It's moved. Is
11 there a second?

12 COMMISSIONER MOSS: Second.

13 COMMISSION CHAIRPERSON SHAPIRO: Second. All in
14 favor?

15 (Ayes.)

16 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

17 MR. TUNNEY: Thank you.

18 COMMISSION CHAIRPERSON SHAPIRO: The next one is
19 number 5, the Los Angeles Turf Club.

20 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
21 CHRB staff.

22 The application is from the Los Angeles Turf Club,
23 at Santa Anita, and they're proposing to race from December
24 the 26th through April the 22nd, 2007, for 85 days, which is
25 one day less than they ran in 2006.

1 They are proposing to race a total of 720 races or
2 8.4 races per day.

3 The race dates proposed are the dates that were
4 allocated by this Board.

5 They will be racing five days per week, Wednesday
6 through Sunday, with eight races per day weekdays, and nine
7 races on opening day, weekends, and Mondays, January 1st,
8 15th, and February 19th.

9 They're asking for the option to program ten races
10 on the opening day, weekends, and on those Mondays, January
11 1, 15th, and February 19th.

12 They will be racing 11 races on March 3rd, 2007,
13 which is the Santa Anita Handicap, and on April the 7th,
14 2007, which is the Santa Anita Derby.

15 Their post times are 1:00 p.m. weekdays and a
16 12:30 p.m. post on weekends and holidays. They're
17 requesting a special post time of 12:00 p.m. on December the
18 26th, which is opening day, March 3rd, and April 7th, and
19 also an 11:45 p.m. post time on January the 27th, 2007.

20 Again, this analysis reflects the Horsemen's
21 agreement as being outstanding. I'm pleased to report that
22 we did receive that Horsemen's agreement this morning, and
23 staff would recommend that the Board approve the application
24 as presented.

25 COMMISSION CHAIRPERSON SHAPIRO: You must have

1 gotten a lot of stuff this morning.

2 STAFF SERVICES MANAGER WAGNER: I did. That's a
3 good thing.

4 COMMISSIONER AMERMAN: You got here early.

5 COMMISSION CHAIRPERSON SHAPIRO: Yeah.

6 STAFF SERVICES MANAGER WAGNER: That's a good
7 thing.

8 COMMISSION CHAIRPERSON SHAPIRO: Again, I want
9 to -- I've found that the section in the application that
10 had the marketing plan, and the budget information, fan
11 development all very helpful, very useful, and I thought it
12 was terrifically presented, so I do appreciate that.

13 I also want to say that I think it's a great idea
14 that you're going to have food service on the weekends, in
15 the box seat area, which I know Oak Tree started with this
16 year, and I thought that was terrific, too. So I was very
17 impressed with that.

18 One issue, which really isn't necessarily your
19 problem, is I see that you have Dr. Butchenbach as your vet,
20 and yet he's been ill. And I'm assuming that other
21 contingent arrangements are being made, although I sure
22 hope, wish him well and we hope that he's back.

23 MR. HAYNES: Yeah, George Haynes, Santa Anita.
24 Dr. Butchenbach has indicated to us that he will be back.
25 If, for some reason, he's not back from his health crisis,

1 then we will have a contingency plan in place to replace him
2 for that period of time, until he is able to come back.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay.

4 COMMISSIONER HARRIS: Santa Anita's obviously had
5 a great heritage and beautiful track. One of the areas that
6 seems to be kind of static to me is your turf club, that the
7 front runner has kind of taken over as the place to be.

8 Do you have any plans to, you know, either
9 redecorate or something? Like some of those tables and
10 chairs are definitely historical monuments you've got in
11 there and you ought to take a look at --

12 COMMISSION CHAIRPERSON SHAPIRO: Can't remove
13 them.

14 COMMISSIONER HARRIS: Yeah, well, you could -- it
15 seems like there's something -- I think you could spend, you
16 know, some money and really improve the overall appeal of
17 your turf club. I don't know if there's anything like that
18 in mind.

19 MR. HAYNES: Well, little by little we've been
20 improving it, reupholstering the furniture, that type of
21 thing, new bar stools. But you're right, we do need to
22 really go in there and to find the time, when it would be
23 appropriate, to upgrade the room, which would be a pretty
24 big capital expenditure, the way we have planned on doing
25 it.

1 COMMISSIONER HARRIS: Because it really is a
2 pretty much -- those tables and chairs are a pretty big step
3 down from what you have in the front runner, and it seems
4 like it should really -- the turf club should be, you know,
5 a very nice place to be. Plus, I mean, it's a great place
6 to go if you like to avoid crowds. Because during the week
7 there are very few people there. And it's got to be with
8 that -- you know, if you're in a nice area, there's a lot of
9 people that should, theoretically, go out, but we need to
10 figure some way to repopulate your turf club.

11 MR. HAYNES: I agree with you and we're looking at
12 ways to do so.

13 COMMISSION CHAIRPERSON SHAPIRO: Okay, does
14 anybody else have any questions for this applicant?

15 I just hope that you can do as well as you did in
16 this year, next year.

17 MR. HAYNES: We've got a good plan to do that.

18 COMMISSION CHAIRPERSON SHAPIRO: Keep the weather
19 on your side.

20 Is there a motion to approve this?

21 COMMISSIONER AMERMAN: So moved.

22 COMMISSION CHAIRPERSON SHAPIRO: Second?

23 COMMISSIONER MOSS: Second.

24 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

25 (Ayes.)

1 COMMISSION CHAIRPERSON SHAPIRO: Good luck.

2 COMMISSIONER HARRIS: Is Ron Charles still around?

3 COMMISSION CHAIRPERSON SHAPIRO: Yeah, is Ron
4 still --

5 COMMISSIONER HARRIS: Ron is still at the helm
6 here, isn't he?

7 MR. HAYNES: Ron's in England right now,
8 refurbishing his stable.

9 COMMISSIONER HARRIS: Okay. You could have him
10 bring home some chairs.

11 MR. HAYNES: Priorities.

12 COMMISSION CHAIRPERSON SHAPIRO: Next, number 6.

13 STAFF SERVICES MANAGER WAGNER: Jacqueline Wagner,
14 CHRB staff.

15 The application is from the Los Alamitos Quarter
16 Horse Racing Association. They are proposing to race from
17 December the 28th through December the 16th, 2007, or 204
18 days. They're proposing to race a total of 2,086 races.

19 They will be racing four nights per week, Thursday
20 through Sunday, 7 to 15 live races per night, and 6 to 12
21 simulcast races.

22 Their first live post is proposed for 7:15 p.m.
23 Thursday and Friday, a seven o'clock Saturday post time, and
24 a 5:30 p.m. post time on Sunday.

25 The advanced deposit wagering providers are TVG

1 and Youbet.

2 Again, this analysis reflects the Horsemen's
3 agreement outstanding. And again, I did receive that
4 Horsemen's agreement this morning, so this application is
5 complete, and staff would recommend that the Board approve
6 the application as presented.

7 I believe there may be a representative from
8 Los Alamitos.

9 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
10 Andreini, do you think we should approve this one? Is it
11 good to go? Okay.

12 Is there any -- I don't have any questions on this
13 application.

14 COMMISSIONER HARRIS: Just to clarify, I think
15 that does go beyond December 16th, doesn't it?

16 COMMISSIONER AMERMAN: November 23rd, I think it
17 says.

18 EXECUTIVE DIRECTOR FERMIN: The 23rd.

19 STAFF SERVICES MANAGER WAGNER: The application,
20 itself, is for December 16th, and I believe that -- you're
21 looking at the schedule on the front; correct?

22 COMMISSIONER AMERMAN: Yeah.

23 COMMISSION CHAIRPERSON SHAPIRO: At the bottom it
24 shows the 23rd.

25 STAFF SERVICES MANAGER WAGNER: That is incorrect.

1 The application is requesting through December the 28th
2 through December the 16th.

3 COMMISSIONER HARRIS: Yeah, because we've
4 discussed that, which I think I asked Los Alamitos if they
5 wanted a Christmas break, and they didn't. But it's fine if
6 they do, just so we get it right.

7 STAFF SERVICES MANAGER WAGNER: I have on the
8 application.

9 COMMISSIONER AMERMAN: So it's the 16th?

10 STAFF SERVICES MANAGER WAGNER: Correct.

11 COMMISSIONER AMERMAN: Okay.

12 COMMISSIONER HARRIS: On page 6-3, it shows
13 otherwise.

14 MR. ENGLISH: Good morning, Mr. Chairman,
15 Commissioners. My name is Rick English, speaking for Los
16 Alamitos. I'm sorry about the confusion as to the dates.
17 The people that normally would speak to that weren't able to
18 attend today, and I can rectify that. I can follow up on
19 that one-week period, I believe it was to stop on the 16th,
20 but I'll have to follow up with Dr. Allred.

21 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,
22 why don't we -- why don't you get back to us.

23 MR. ENGLISH: Thank you.

24 COMMISSION CHAIRPERSON SHAPIRO: I think the Board
25 would be fine either way. Therefore, we will ask that you

1 get back to us, but we'll approve it through the 23rd and,
2 if it's going to be the 16th, please let us know.

3 MR. ENGLISH: Okay.

4 COMMISSION CHAIRPERSON SHAPIRO: All in -- I don't
5 know if there was a motion. Is there a motion?

6 COMMISSIONER ANDREINI: Moved.

7 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
8 Andreini just made the motion.

9 COMMISSIONER MORETTI: Second.

10 COMMISSION CHAIRPERSON SHAPIRO: Second. All in
11 favor?

12 (Ayes.)

13 COMMISSION CHAIRPERSON SHAPIRO: Okay, Item Number
14 7, election of Board Chairman and Vice Chairman.

15 COMMISSIONER HARRIS: I'll nominate Richard
16 Shapiro.

17 COMMISSIONER AMERMAN: Second.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay, is there
19 any discussion?

20 COMMISSIONER HARRIS: For Chairman.

21 COMMISSION CHAIRPERSON SHAPIRO: Hearing none, all
22 in favor?

23 (Ayes.)

24 COMMISSION CHAIRPERSON SHAPIRO: All opposed?

25 Okay, election of Vice Chairman, I'd like to

1 nominate John Harris.

2 COMMISSIONER AMERMAN: Second.

3 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

4 Oh, any discussion?

5 All in favor?

6 (Ayes.)

7 COMMISSION CHAIRPERSON SHAPIRO: I'm going to win
8 that buck from Andreini.

9 Okay, Item Number 8, report and discussion by the
10 Board on the update from the Jockey's Guild on the Health
11 and Welfare Program.

12 Does staff want to -- is there any report from
13 staff? No, okay.

14 Good morning, Mr. Manley, would you say your name
15 for the record?

16 MR. MANLEY: Dwayne Manley, with the Jockey's
17 Guild.

18 COMMISSION CHAIRPERSON SHAPIRO: I placed this
19 item on the agenda because it's been some time and we know
20 that you're new, and welcome. But I felt that we should get
21 an update to know what the status of the Guild's Health and
22 Welfare Plan is.

23 As we all know, approximately a million dollars
24 per year comes from unclaimed pari-mutuel tickets, if I
25 think I said that's the right fund, to go for the benefit of

1 the Jockey's Health and Welfare.

2 And so I'd like to know what the status of the
3 Guild's finances are, and such that they relate to the
4 Health and Welfare Plan, so perhaps you can enlighten us a
5 little bit.

6 MR. MANLEY: Since I've been here for almost four
7 months, the medical claims that were past due, and other
8 bills in excess of five months, have all been caught up.
9 The financial stability of the Guild has dramatically
10 improved.

11 Originally, the first, I'd say, 60 days, there
12 were a lot of concerns and issues relating to health claims
13 from around the country, from the members that are insured,
14 and I haven't received anything, any complaints or issues in
15 the last couple of months, that aren't just ordinary
16 inquiries.

17 In Delaware we had the 43 jockeys, I went and
18 spoke several times at the Commission meetings there, over
19 the last few months, come up with an alternative plan, a
20 third party associated in with another horseman's group or
21 horse group there, and that will begin December 1st. So the
22 \$350,000 that Delaware contributes for those 43 jockeys will
23 go to that horseman's group to oversee the insurance for
24 them.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, let me just

1 try to understand. As I understand it, the Guild has a
2 self-insured insurance plan.

3 MR. MANLEY: Self-insured.

4 COMMISSION CHAIRPERSON SHAPIRO: You're self-
5 insured. And you buy a reinsurance policy, like as
6 something --

7 MR. MANLEY: It's stop loss 75,000 currently in
8 place. So we pay up to 75,000 of the claims and then
9 anything above that they pay.

10 COMMISSION CHAIRPERSON SHAPIRO: Okay, and that
11 goes up to what amount? If a rider's injured or for a
12 health issue, not injured. For a health issue, does that go
13 up to a million dollars or --

14 MR. MANLEY: Yes, a million dollars. The 75,000
15 is the number that it triggers for us to be obligated for,
16 for the Guild.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay.

18 MR. MANLEY: For instance, there were twin
19 premature babies born this year that we paid the maximum for
20 and then, you know, the reinsurance is on the hook for the
21 rest.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay. Is there a
23 limit on that reinsurance?

24 MR. MANLEY: My understanding, it's a million
25 dollars.

1 COMMISSION CHAIRPERSON SHAPIRO: A million is the
2 case, so it's a million dollars.

3 MR. MANLEY: Excuse me, it's \$2 million.

4 COMMISSION CHAIRPERSON SHAPIRO: \$2 million per
5 person, per occurrence?

6 MR. MANLEY: Persons. In the case of the babies,
7 it's each.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay. And who is
9 the provider of that insurance policy?

10 MR. MANLEY: The administrator at Mercer,
11 currently the insurance plan is overseen by Mercer, which is
12 something that's in the works to be changed. We're working
13 with Driver, now, to have a new proposal, new plan, or plans
14 I should say. Right now, there's only one option for
15 insurance for the jockeys, basically, an ABCD option that
16 we're hoping to roll out in open enrollment, in March.

17 COMMISSION CHAIRPERSON SHAPIRO: Yeah, but who's
18 the insurance company that provides the reinsurance policy?

19 MR. MANLEY: I don't know.

20 COMMISSION CHAIRPERSON SHAPIRO: You don't know
21 who it is?

22 MR. MANLEY: Off the top of my head, I don't, but
23 I can find out for you.

24 COMMISSION CHAIRPERSON SHAPIRO: Okay, and is the
25 Guild current with making all of those premium payments to

1 P-5, and the reinsurance company, are they all current?

2 MR. MANLEY: Yes.

3 COMMISSION CHAIRPERSON SHAPIRO: And I know that
4 when you inherited this role there were a lot of jockeys who
5 had both not paid in their share of premiums that were due,
6 and also jockeys that had what they called savings accounts.
7 Where does that stand? Do these riders now receive back the
8 money that -- those riders that paid in excess and had a
9 balance, so to speak, have they received back their money?

10 MR. MANLEY: When I first saw the numbers a few
11 months ago, the amount due from jockeys that hadn't paid
12 their insurance contributions, they're co-pay amounts or
13 premiums was around a half million dollars. And the amount
14 in the savings accounts or amounts that were overpaid from
15 track deductions was approximately half a million.

16 So you had the more focal group, by far, was the
17 ones that were owed the money, that thought they had the
18 savings accounts that couldn't get the money, saying the
19 Guild owes me money, and we've instituted an aggressive plan
20 of collecting money back from the jockeys that do owe it,
21 and explaining to jockeys that you owe the money to other
22 jockeys. And to the jockeys that are owed, it's jockeys
23 that owe you money. The Guild is essentially in the middle.

24 And along those lines, in the last month we've, I
25 believe, paid over \$100,000 back towards the savings

1 accounts. We've collected less than that, but we have been
2 making great progress in working out either payment plans or
3 collecting money in full, from a couple hundred dollars to a
4 few thousand dollars a person to address that, and clean it
5 off the books. So it's gone very well.

6 COMMISSIONER HARRIS: Is this -- the plan that we
7 have in California, is it a distinct plan from the National
8 Jockey's or is it all just comingled?

9 MR. MANLEY: There's one plan, there's one option,
10 which is the reason that the majority of the jockeys in the
11 country don't have insurance through the Guild, because it's
12 so expensive, it's so rich, this plan, that they can't
13 afford it.

14 The new proposal, the ABCDE, will have options
15 that are more mirrored to America, to corporate America.
16 I'll call plan A the California plan, which is the majority
17 of, you know, who signed up for it, is a Rolls Royce plan,
18 with no deductibles, and \$2 million at the top end, and it
19 has a value of over \$1,400 a month in what it would cost.
20 And that's too high for a non-subsidized state.

21 And we are going to have something that's the
22 equivalent of 85 percent of the Fortune 500 companies, that
23 costs it's face value of about 650 to 700 dollars a month,
24 non-subsidized. But it's an option for somebody either
25 here, with a family, that can't afford what the co-pay is,

1 or somebody anywhere around the country.

2 What we're trying to do is get all 800 members,
3 there's 1,300 approximately, now, but all members that ride
4 200 mounts or more a year to have at least the minimum
5 insurance, which we're going to subsidize down to \$49 a
6 month for a single person, a single rider.

7 Because, again, the great majority of the jockeys
8 don't have the insurance because this is so rich. Which
9 we'll still offer. So the California jockeys can continue
10 it, if they want that, under this, you know, the new
11 rollout. With your subsidy, it's costing them less than it
12 would on its own.

13 But if by chance a jockey in California can only
14 afford the individual payment, but not for his whole family,
15 then he will have an option where, either for a very nominal
16 fee, I mean you're literally talking maybe for a dollar or
17 something a month that he can pay to make sure that his
18 family is insured.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, I
20 appreciate all that. But again, you know, I want all the
21 jockeys to be insured, but bringing it back to just
22 California. What percentage of the riders in California are
23 insured through the Guild?

24 MR. MANLEY: My understanding is that all 102.

25 COMMISSION CHAIRPERSON SHAPIRO: Even those that

1 aren't members of the Guild?

2 MR. MANLEY: They don't have to be.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay, so they're
4 all through the Guild's self-insured plan?

5 MR. MANLEY: That's all we have.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay. And I have
7 spoken to people in Delaware. Now, it's my understanding
8 that they are going to not -- to their own stand-alone, and
9 I don't quite understand it, through a third-party insurance
10 company.

11 Are there options for California riders, if they
12 didn't go through the Guild's self-insured plan -- what's
13 the name of the insurance company that's providing insurance
14 in Delaware, do you know?

15 MR. MANLEY: Coventry.

16 COMMISSION CHAIRPERSON SHAPIRO: Coventry. Okay,
17 would Coventry write a policy here, for just California
18 riders and, if so, would it be at less cost so that our
19 million dollars would either afford them more coverage or
20 better coverage, or be able to add things that now we don't
21 offer?

22 MR. MANLEY: No, they won't do it here and their
23 policy, apples to apples, costs about \$50 a month more than
24 the plan that we offer here. So right now there are several
25 jockeys in Delaware, even subsidized, that can't afford

1 their co-pay, so they have no insurance, which is not the
2 objective of the Delaware Commission, either.

3 They don't have a plan B in Delaware for those
4 jockeys that can't afford to pay an extra \$700 a month.

5 COMMISSIONER HARRIS: Is part of the issue that
6 even though California's a Worker's Compensation state, but
7 some of the places that jockey's are riding there's no
8 Worker's Comp, so if they're hurt, effectively, on the job,
9 they have to revert to their health insurance and that would
10 roll up the average cost?

11 MR. MANLEY: The bigger issue is just getting
12 somebody to underwrite it at any cost and --

13 COMMISSIONER HARRIS: Is that due to the fact that
14 they're concerned about on-the-job injuries or just -- I
15 mean, it seems like as an actual group, if they exclude the
16 potential for injury on the job, would be a fairly healthy
17 group.

18 MR. MANLEY: I'm not an insurance expert, but my
19 understanding is the experience of the jockeys as a group,
20 historically, doesn't pencil out for them.

21 COMMISSION CHAIRPERSON SHAPIRO: Have you looked,
22 have you gone out to see if there's other insurance
23 companies that would write insurance for just California?

24 MR. MANLEY: Driver looked everywhere for any
25 quote, for anything. We couldn't get it at any price.

1 COMMISSION CHAIRPERSON SHAPIRO: So you can't get
2 a quote. Nobody will quote for just California?
3 Understand, no reflection on you, okay, but the Guild almost
4 collapsed, as you know, before you got there, which could
5 have left the riders in great peril of not having insurance.
6 They were very much in arrears, the Guild was.

7 And so my questions are looking at if there's a
8 way to find a third-party, A Plus rated insurance company,
9 to me, on the surface, not knowing much about insurance, it
10 would seem to be, at a comparable cost, a better thing for
11 our California riders.

12 And what I'm trying to also figure out is if it's
13 all lumped together in one large insurance fund, how do we
14 know that our money is not subsidizing the cost to help
15 riders that are riding in wherever they ride? How do we
16 know that our money goes to our California riders?

17 MR. MANLEY: My understanding is that you guys,
18 the Commission receives an audit twice a year on the
19 insurance. We do that for Delaware. And the two that I've
20 been involved with, with Delaware, the second half of '05's
21 we submitted two months ago, and the first half of '06 we
22 just submitted were accurate and not disputed by them, you
23 know, as far as where the money goes, and what the premium
24 costs are, what the actual costs are.

25 COMMISSION CHAIRPERSON SHAPIRO: So were the

1 actual costs from California riders in excess of a million
2 dollars?

3 MR. MANLEY: The premiums are.

4 COMMISSION CHAIRPERSON SHAPIRO: No, I'm not
5 talking about the premiums. The actual cost?

6 MR. MANLEY: I believe so, but I don't have the
7 numbers. I've never been involved in an audit with
8 California. But the premiums, I know that the premiums --

9 COMMISSION CHAIRPERSON SHAPIRO: The premiums are
10 what you're charging to California?

11 MR. MANLEY: Well, not necessarily. The premiums
12 are still subsidized by the Guild. So the amount that the
13 jockey pays and the State pays, combined, don't equal the
14 face value of the premiums.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay.

16 MR. MANLEY: That money's made up by track
17 contributions and member dues.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay, I see
19 Mr. Couto sitting there, and I should note, and you're
20 welcome to sit at the table if you want, Drew, the agreement
21 that this -- what we have on the subsidy is actually with
22 the TOC. It's a tri-party agreement, so to speak, and TOC
23 is one of the parties in this, so you should weigh in.

24 MR. COUTO: Sure. Drew Couto, Thoroughbred Owners
25 of California.

1 I think it was a year ago at this meeting that we
2 raised some of these issues, it could have been two years
3 ago, and had assurances from Guild representatives that we
4 would have access to all of the information necessary to
5 ascertain independently, on behalf of California riders,
6 whether or not the full extent of the million dollars was
7 being used simply for their benefit or was subsidizing the
8 overall program.

9 Despite those assurances, as you know, Counsel to
10 the Guild thereafter prevented us from having access to any
11 information to verify that.

12 And given our statutory role to oversee sort of
13 the contract that controls the use of this money with the
14 Guild, we think it's appropriate to get a better look at the
15 insurance program and to entertain quotes from third-party
16 insurers for health and welfare benefits simply for
17 California riders, separate and apart from the self-insured,
18 so at least we have some means to gauge for our California
19 riders the coverage that they have.

20 I think Mr. Manley pointed out that really what
21 the Guild have is a self-insured program and, as a self-
22 insured program, they can largely set the premiums wherever
23 they need to based on the risk, based on the retention,
24 based on the deductible.

25 So in order to have a good sense I think we need

1 to entertain quotes from other companies to get an idea of
2 what the riders would be paying or what we'd have to pay for
3 riders in the market, versus simply with the self-insured
4 option.

5 COMMISSION CHAIRPERSON SHAPIRO: Well, I,
6 personally, agree with that, but I'm mindful that Mr. Manley
7 says that there's no one going to quote us. Now, I don't
8 know if Coventry's been approached, since they're writing
9 Delaware, or somebody else. But I think that if we could
10 get the experience and work with the Guild to get what the
11 actual experience has been, so we could go out to insurance
12 companies, maybe that's what needs to be done.

13 MR. COUTO: Well, we'd offer to work with the
14 Guild to help them secure interest from brokers and from
15 third-party insurers, to see if it's possible to do a
16 program for the California riders.

17 I think Mr. Harris pointed out a very important
18 fact, that most folks aren't appreciating, and that is in
19 states where Worker's Comp doesn't exist, the riders rely
20 principally on this health insurance to help them with the
21 cost of work-related accidents.

22 It's always a problem when you don't have -- when
23 you're an independent contractor, and you don't have
24 Worker's Comp, your rates are much higher.

25 So I would imagine in a State like California,

1 with a comprehensive Worker's Comp program, the costs of
2 getting third-party health insurance for California riders
3 should be substantially less than a state without the
4 Worker's Comp.

5 COMMISSIONER ANDREINI: You know, let me interject
6 something here. I know something about this business and
7 sometimes, if there are groups of people of a hundred or
8 less, all of those groups are pooled with other groups that
9 are the same size and it's difficult to get the experience.

10 And so if an insurance carrier can't get the
11 experience, they don't know how to rate the risk.

12 MR. COUTO: The one thing about California is
13 since we created the Worker's Comp program here in the CTBL
14 and the CHSA is we have, through AIG, and our insurers, the
15 best risk history for riders that I think probably exists
16 anywhere in the country. And so that was one of the things
17 that helped us secure better rates with AIG in the future is
18 now they have a very good risk history, we're not pooled in
19 other categories, and we're hoping maybe we can leverage
20 that somewhat to secure better rates.

21 COMMISSIONER ANDREINI: Yes, but Worker's
22 Compensation and health benefits are two different things.

23 MR. COUTO: Correct, but we'll have a sense of at
24 least work-related accidents to compare against the larger
25 pool, nationally, to find out is there a correlation between

1 their general health and their Worker's Comp, we have a much
2 better history to do that.

3 I agree with you, health insurance you have a
4 completely different health history, but they're tied
5 together in the market.

6 I won't argue insurance with you, you're much
7 prepared than I am, I'm just going based on my
8 understanding.

9 COMMISSIONER ANDREINI: Well, you've got a tough
10 job ahead of you, if you're going to try and separate that
11 hundred-people group away from --

12 COMMISSION CHAIRPERSON SHAPIRO: No, we have about
13 102, 103 riders. I don't think they're trying to separate
14 that. And let me ask the question, because you do know
15 this, is it possible to get 103 riders, is that big enough
16 to where there could be a separate California plan, in your
17 opinion?

18 MR. MANLEY: It's very difficult.

19 COMMISSION CHAIRPERSON SHAPIRO: Difficult.

20 COMMISSIONER ANDREINI: It is very difficult. And
21 the experience on jockeys is not the best in the world, I've
22 known that.

23 I think you're going to have a hard time finding
24 another carrier. You say the deductible is \$75,000, is that
25 what you're -- is that the self-insured retention?

1 MR. MANLEY: Currently \$75,000. The new Driver
2 proposal is 150,000.

3 COMMISSIONER ANDREINI: That's the only way you're
4 going to make it more effective is to get the self-insured
5 retention up, that's the only way you can do it.

6 MR. MANLEY: And the rates, you know, the plans
7 that were put forward from the actuaries, through Driver,
8 were given to us. We didn't -- I know we can ultimately
9 charge whatever we want for the co-pay, or the contribution
10 from the member, but the premium put forward is something
11 that the actuaries do from the insurance company. And, you
12 know, whether it was third-party testing, but comparing it
13 to the Coventry plan, ours was cheaper, and I attribute that
14 to the fact that we weren't trying to make a profit.

15 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
16 Andreini, would you be willing, and perhaps Mr. Manley,
17 perhaps to share with Commissioner Andreini, who is an
18 expert in insurance, to take a look at it and help advise on
19 that?

20 COMMISSIONER ANDREINI: I'd be happy to help any
21 way I can.

22 MR. MANLEY: I'd be happy to have the Driver
23 people meet with you or talk and share everything. I'm not
24 an expert on it.

25 COMMISSION CHAIRPERSON SHAPIRO: Right.

1 MR. MANLEY: But I've been around it now for a few
2 months where it's the main concern for the jockeys
3 nationwide.

4 COMMISSIONER ANDREINI: That's fine. That's fine.

5 COMMISSION CHAIRPERSON SHAPIRO: I mean, clearly,
6 we're all motivated to have -- make sure that all of our
7 jockeys have health insurance. The only question I have is
8 just wanting to also make sure that the million dollars that
9 is coming from the State of California is going to the
10 riders in the State of California.

11 MR. MANLEY: The premiums are more and, like I
12 told you, it doesn't make up the gap, even with their
13 contribution.

14 The big concern that the Delaware Commission had,
15 which our driver people pointed out, is that the cost
16 increases, 11 to 13 percent a year, are all going to be
17 passed on to the jockeys there, and they're a lot more
18 susceptible, per Commissioner Andreini's comments, to being
19 discontinued, because they're part of a small group. And if
20 some big claims do come through, that's a lot more risk for
21 them versus the Guild saying we're not going to cut you. So
22 there's more reliability, even though the Guild's issues
23 from, say, you know, 12, 18, 24 months ago were volatile.

24 You know, from where we are now and going forward,
25 it's a lot more risky being with somebody that's not

1 committed to, you know, the long-term benefits for the
2 jockeys.

3 COMMISSION CHAIRPERSON SHAPIRO: If you raise the
4 deductible, so to speak, to the \$150,000 level --

5 MR. MANLEY: The deductible, it's the Guild's
6 obligation.

7 COMMISSION CHAIRPERSON SHAPIRO: Okay, that's what
8 I meant, the Guild's obligation to 150,000, and you get four
9 big claims --

10 MR. MANLEY: I'm trying -- I brought that up last
11 week, when I found the difference, and I said that I wanted
12 to have reinsurance on the reinsurance to two claims, so
13 there couldn't be no more than two until we had insurance on
14 that excess, again. Because what if ten people came in, at
15 150,000.

16 COMMISSION CHAIRPERSON SHAPIRO: It would break
17 the Guild.

18 MR. MANLEY: Well, I think we can cap that at two.
19 It wouldn't break the Guild, but that's what made sense and
20 that's what they were putting into place. I don't have the
21 numbers on that, yet, but that's what they're doing.

22 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,
23 perhaps -- are you agreeable to sharing whatever information
24 that Mr. Couto and TOC wants, and working with him, as well
25 as us, to just verify and make sure that everything is in

1 good order and we're doing the best we can, you have no
2 objection to that?

3 MR. MANLEY: I'd have to ask the Board for
4 approval to do that, my Board.

5 COMMISSION CHAIRPERSON SHAPIRO: You need to ask
6 your Board for approval to share the information with us?

7 MR. MANLEY: Records from the Guild office, yes.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay. Well, I
9 think you'll find that in the agreements that we have with
10 you on this issue, and you can go back and check with Mr.
11 Broad, I think it says that any and all records that we ask,
12 you'll share. But that's fine.

13 MR. MANLEY: I have nothing personal against it,
14 it's just I'm working for the Board and if there's a request
15 that comes through, I put it forward and they vote, and
16 follow through with whatever's told to do.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. Well,
18 perhaps you can convey that, again, we have an obligation to
19 make sure that the money that we're allocating is going to
20 California riders. We want to work with you, our goals are
21 the same, and that's just something that --

22 MR. MANLEY: Was there an audit turned in for the
23 first half of '06?

24 COMMISSION CHAIRPERSON SHAPIRO: I haven't seen
25 it. I don't know if it has been turned in or not, I have

1 not seen it. I don't know if staff knows.

2 ASSISTANT EXECUTIVE DIRECTOR SMITH: Richard
3 Smith, Assistant Executive Director. The last audit report
4 we received is the December 31, '05.

5 COMMISSION CHAIRPERSON SHAPIRO: So the answer
6 would be no.

7 MR. MANLEY: So I will -- is it an annual or twice
8 a year?

9 COMMISSION CHAIRPERSON SHAPIRO: I think we're
10 supposed to get it twice a year.

11 ASSISTANT EXECUTIVE DIRECTOR SMITH: Correct.

12 MR. MANLEY: So your first half '06 audit, then I
13 will push for that today to have that completed, or find out
14 the status of it to turn into you.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay.

16 MR. MANLEY: I would assume that that will help
17 answer a lot of the questions about the expenses.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right.
19 Yes, sir?

20 MR. GIBBS: Can I come forward to speak?

21 COMMISSION CHAIRPERSON SHAPIRO: Sure.

22 MR. GIBBS: Good afternoon, Chairman Shapiro and
23 Board members. My name is Chris Gibbs, and I'm with the
24 firm of Jennings and Associates. We created the health plan
25 that's currently in effect, five years ago.

1 COMMISSION CHAIRPERSON SHAPIRO: The self-insured
2 health plan?

3 MR. GIBBS: Yeah, it's actually self-funded. It's
4 really not even insurance because there's not an insurance
5 policy that pays the claims. There's reinsurance that
6 protects the Guild on how much they would end up paying in
7 total claims. There's an individual stop-loss of 75,000,
8 plus there's an aggregate policy that limits -- I think this
9 year it might be around \$4.2 million. So the Guild could
10 pay up to 75,000 per jockey, or per individual, and then the
11 aggregate could reach up to 4 million, and then the Guild
12 doesn't have to pay above that.

13 But so many things you've just been told are
14 totally false, and his knowledge of what's going on in the
15 Guild is -- I don't know what to tell you. I mean, I don't
16 want you to lose your dollar bet and people to throw things
17 at me, but what's going on at the Guild, and what's going on
18 with this health plan, and the California money is being
19 used to subsidize jockeys across the country.

20 California jockeys are being double billed.
21 Actually, the California jockeys that are members of the
22 Guild are being double billed for benefits.

23 The Guild is insolvent, nothing's changed. He
24 says he's current on his bills and he's not. He mentioned
25 Mercer, that they're the Guild broker. He fired them on the

1 first day he got the job, after he signed his contract.

2 He's never talked to them once, since.

3 His personal lawyer is trying to sue Mercer, now,
4 and claim that Mercer's estimated premiums are the reason
5 the plan failed.

6 The plan is like a very nice car that drives real
7 nice, but if you put a Guermainian behind the wheel, or a
8 Manley behind the wheel, it crashes.

9 COMMISSION CHAIRPERSON SHAPIRO: All right, wait a
10 minute, wait a minute, let's not get into any personal
11 attacks. That, I'm not going to tolerate.

12 MR. GIBBS: All right. Well, the California
13 jockey, for example, if you're a Guild member, you pay \$4
14 per month in dues. For that you receive a 35 percent
15 subsidy of your health plan, if you're in the health plan,
16 you receive life insurance, you receive temporary disability
17 payments for up to 104 weeks, and let's see, life, health,
18 and that's what you receive.

19 California jockeys pay their dues, but they don't
20 receive the benefits because the CHRB reimburses the Guild a
21 hundred percent for all temporary disability, for all life
22 insurance payments and, what in effect is, the California
23 jockey doesn't receive his 35 percent subsidy from the
24 Guild, and so the CHRB pays their money and at the end of
25 the day the jockey's 24 percent, plus the CHRB money, the

1 jockeys pay, at minimum, 60 to 80 percent more than a jockey
2 would from Kentucky, or Illinois, or Arizona, or another
3 state.

4 So the Guild -- the California jockeys' million
5 dollars, that you guys provide, which is the best benefits
6 in the country, this next year Pennsylvania will give
7 250,000 per track. Delaware does 375. The trend in the
8 future is local associations, state by state, that will
9 manage benefits in that state for the jockeys.

10 You were just told that there is no plan. The
11 Jockey's Guild received a full funded, fully insured quote
12 last year. And the same company will provide a fully
13 insured quote right now for only the California 103, and
14 they'll provide it for the whole country.

15 The reason the Guild doesn't want it, and they say
16 that they approached all these carriers, and they said that
17 back in August to the Delaware Board, is because it takes
18 money to convert. Because as you transfer from a self-
19 funded to a fully insured, you have to pay the fully insured
20 premiums on day one, and a self-funded plan, as it, what
21 they call runs out, because a claim in December might not
22 get paid until March, is maybe another five or six hundred
23 thousand dollars. So the Guild doesn't have the money to
24 convert.

25 Last year, and it was a large meeting with jockeys

1 and their wives, and so forth, and the Guild lawyers, in the
2 Guild office, and they were adamant that they wanted to
3 covert to a fully insured plan because it takes the gamble
4 out of the CHRB giving the Guild money and hoping they pay
5 the bills.

6 He said all the bills are paid. Mercer's
7 consulting fees are six months past due.

8 MR. MANLEY: It's in dispute, that bill. Every
9 bill that's not in dispute is paid in full. And I'd like to
10 point out that this person made a proposal to the Guild,
11 when I first got involved, that was denied, and has been on
12 a personal vendetta, sending e-mails all over the planet,
13 assailing me, attacking me, and I really think this is
14 inappropriate.

15 MR. GIBBS: Well, sure, you don't want me to talk
16 because you've said so many things to this Board that's just
17 false.

18 COMMISSION CHAIRPERSON SHAPIRO: Well, again, wait
19 a minute. I want to just get to making sure that we are
20 protecting our jockeys. I don't want to get into any
21 personal animus or contractual relationships.

22 But what we need to make sure is that our riders
23 are insured and we're providing them with the best that we
24 can from the money that we allocate for this purpose.

25 MR. GIBBS: Well, the best thing that California

1 could do is exactly what Delaware did. And the Delaware
2 jockeys voted 38 to zero, the Delaware Board voted five to
3 zero. Right now, of the 45 people that are in the plan,
4 fully insured plan, which means you pay the premium and
5 that's it, you don't have to worry about whether the Guild
6 has the money to pay the claims and pay the bills, and
7 that's why they wanted to convert.

8 In Delaware, there's only five, or six, seven
9 jockeys that are still members of the Guild. Jockeys have
10 been resigning --

11 MR. MANLEY: That's not true, that's absolutely
12 not true. The majority of jockeys in Delaware do belong,
13 they asked to stay in the Guild. There's 43 members, and
14 several jockeys can't afford the co-pay amount there because
15 there's only one option.

16 MR. GIBBS: Whether they choose to --

17 COMMISSION CHAIRPERSON SHAPIRO: Wait a minute,
18 whether they choose to stay in the Guild or not, that's
19 nothing for us to be -- that has nothing to do with us.

20 MR. GIBBS: The Delaware plan has two options,
21 they have a high and low option. And a jockey in Delaware,
22 with their subsidy, can have a unlimited coverage. Not his
23 ABC plan, that he presented in Delaware. The limits on the
24 aid plan, or the lower plan, is \$200,000, and if you go to
25 the hospital, you have to pay half the bill. It's not even

1 really insurance. Certainly, you wouldn't want any of your
2 family on that type of coverage.

3 MR. MANLEY: I don't know what you're talking
4 about right now, this doesn't apply to California, what
5 you're talking about.

6 MR. GIBBS: Well, here's your ABC plan, that you
7 just talked about.

8 MR. MANLEY: It doesn't go to California, what
9 you're talking about right now.

10 MR. GIBBS: It says right here it's a national
11 plan.

12 MR. MANLEY: It's not for the California jockeys.

13 MR. GIBBS: It's not. That's not true, but aside
14 from that, a jockey in Delaware can pay as little as \$15 a
15 month and have unlimited coverage.

16 MR. MANLEY: This person's commission that he's
17 been making, for selling this insurance plan, is ending and
18 he's very personally upset about this. And, again, I don't
19 think this is the right forum because I don't think there's
20 full disclosure to this Commission on what your background
21 is.

22 MR. GIBBS: All right, here's the proposal to the
23 Guild that was last year. You can go through it, it's very
24 detailed, it shows every carrier that was contacted, it
25 shows a fully insured quote from an A minus company, whose

1 parent company is an A plus company. The facts are the
2 facts. Whatever he wants to say, he can say.

3 Delaware, they reimbursed based on the estimated
4 premium. Mr. Manley and his group went there in August and
5 made this proposal. They thought there was no competition.
6 They raised the rates 40 percent, with no -- and they said
7 that they got quotes from the insurance companies. We've
8 contacted the insurance companies. I'd be happy to provide
9 all the documents. The contacts at the insurance companies,
10 they hadn't even quoted the coverage and they're making up
11 rates.

12 The Delaware Insurance Commissioner is
13 investigating them for fraud and the Attorney General in
14 Delaware is --

15 MR. MANLEY: Investigating who?

16 COMMISSION CHAIRPERSON SHAPIRO: All right, hold
17 it, I'm going to stop this. I'm going to stop this. Stop,
18 okay.

19 I don't want to see this thing spiral into a
20 situation that is not appropriate for us to hear. And what
21 I would prefer is that I would suggest that staff, maybe
22 Bond, if you could meet with Mr. Manley, Mr. Gibbs, collect
23 all the information, go through it. I think that we do have
24 to have TOC involved in this.

25 And I think what we want, and we can ask for, is

1 perhaps you can make a report back to the Board, that gives
2 us the assurances that our riders are going to be covered
3 with what their options are for insurance, that we know that
4 our money's going to benefit California riders, and that
5 we're doing what we should be doing, which is protecting the
6 health of the riders.

7 I don't want to get, I don't think this Board
8 wants to get involved in issues of dispute between parties.

9 Is that acceptable to the rest of the Board?

10 COMMISSIONER HARRIS: I agree, we don't want to
11 get into a big debate about it, but I think we're looking to
12 TOC -- I mean, the owners in California are the ones that
13 really are paying health insurance, or it's not really
14 coming from us, it's coming from uncashed tickets. But
15 they're the ones that are supposed to be monitoring the
16 advocacy of the plan, and I think they're the ones that need
17 to take the oversight in this.

18 COMMISSION CHAIRPERSON SHAPIRO: Mr. Couto, are
19 you willing to participate with Mr. Bond Smith, and also
20 review this information?

21 MR. COUTO: Absolutely, we'd love to, yes.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay. Is that
23 agreeable to the rest of the Board?

24 (Group Assents.)

25 COMMISSION CHAIRPERSON SHAPIRO: All right, is

1 that okay --

2 COMMISSIONER HARRIS: Probably for the other --
3 for the quarter -- I guess there's other breeds, like
4 quarter horses, also, in this, too, so maybe that
5 organization should be involved in this, as well.

6 COMMISSION CHAIRPERSON SHAPIRO: The quarter horse
7 jockeys are included in the plan, are they not?

8 MR. MANLEY: Yeah.

9 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,
10 then, what I would suggest is that we ask to have a report
11 back to the Board in the next 30 to 60 days, whatever time
12 is needed. And again, I don't want to assail anybody, I
13 simply want to do what's best for our riders. So with that,
14 we'll move from there.

15 Mr. Gibbs, if you'll provide copies to Mr. Smith,
16 and Mr. Manley, as well. Okay, if you'll provide whatever
17 information he needs. All right, thank you very much.

18 COMMISSIONER HARRIS: That turned into more of a
19 can of worms than I thought it would.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay, Item Number
21 9 is discussion by the Board regarding strategic planning
22 for 2009 and beyond. Thoughts?

23 COMMISSIONER MOSS: Well, I wanted to first,
24 because this is a vital subject, obviously, for our racing
25 community, it's been, in my mind, perfectly addressed by Mr.

1 Cliff Goodrich, who wrote us all a letter on October 19th.
2 And he's in the room and I just wanted to personally thank
3 him for bringing this to all our attention.

4 I say again, nobody, especially me, in particular,
5 and nobody else wants to see Hollywood Park close. That
6 would be, in my estimation, just a horrible reality we'd all
7 have to face at some point, and certainly hope it doesn't
8 occur. But we have to prepare for the future.

9 And I'm suggesting that Mr. Goodrich's letter be
10 distributed, if it hasn't been already. I know he's sent it
11 to many people in this room.

12 And I think the basic premise of this note is that
13 whatever changes will occur to our industry, to reflect what
14 takes place or will not take place at Hollywood Park, and
15 what we'll have to do to replace those dates would take at
16 least 18 months to two years to implement.

17 This date of 2009 is staring us in the face and we
18 certainly need to discuss what will happen, and the
19 possibility of what will happen, without this fantastic
20 place, Hollywood Park, to race our horses.

21 And so I'm suggesting that everyone, and it's not
22 a motion, but it could be put in that situation, that has
23 any interest in perhaps applying for race dates in 2009, for
24 thoroughbred racing, make those plans available for us to
25 see in the next few months, because I believe by April 1, of

1 2007, we should know what we're going to do in 2009, and so
2 we have about five or six months to perhaps prepare plans
3 and see what we have take place.

4 And I'm talking about I know that perhaps Fairplex
5 would be interested, perhaps Santa Anita wants to have more
6 dates. Certainly, Del Mar and, certainly, Los Al, if
7 they're interested. And there might be someone else.

8 And so I think we need, as a Board, to review all
9 possibilities. And I would welcome Mr. Goodrich to say
10 anything more he'd like to say about it, if he'd like to.
11 But I would like to again commend him for speaking so
12 eloquently to this particular problem we're all about to
13 face. So thank you, again.

14 MR. GOODRICH: Mr. Chairman, Commissioners, if I
15 might, Cliff Goodrich, representing Fairplex. And
16 Commissioner Moss, thank you.

17 I can tell you, while I was the sole signator to
18 that document, I assure you I was not the sole author. I
19 had a lot of help.

20 And Commissioner Moss's brief remarks is a good
21 segue into some things I'd like to say today on behalf of
22 Fairplex but, really in the next breath, at least in my
23 opinion, on behalf of the industry.

24 If anything, as an owner, he's going to especially
25 appreciate, as will Commissioner Amerman, and Commissioner

1 Harris, what I'm about to say. He, without knowing it, has
2 really even understated this dilemma that I think lurks
3 before us, even by putting in an April 2007 timeline.

4 And if I may, and this is not long, but when
5 Stockbridge Capital, or Stockbridge purchased Hollywood Park
6 in the fall of 2005, they simultaneously announced their
7 intention to race at least three years, which is at the end
8 of 2008, absent alternative gaming, and then they were going
9 to do something else, which is fine. I think people
10 understand that. Disappointed, but they understand people
11 have options when they make that kind of an investment.

12 At that date, the future of racing in Southern
13 California, the landscape of racing was, without question,
14 threatened.

15 While Fairplex completely understands the economic
16 motives and alternatives behind such a decision, when you
17 look at the present day levels of any race track, let alone
18 Hollywood Park, those levels can't even cover the carrying
19 cost on the interest on the money used to make that
20 purchase. And that just tells me, even if I were not
21 representing Fairplex, that this can't go on forever. You
22 can't make that kind of an investment, generate the "Ebidah"
23 returns that Hollywood Park, or any other race track might
24 be generating with that kind of a purchase, and stay in the
25 racing business.

1 But everybody focuses on the racing calendar, and
2 well so. The more critical issue, because racing calendars
3 can be allocated fairly quickly, is where in the world are
4 these horses going to train to race. Because if, in fact,
5 Hollywood Park ceases racing at the end of 2008, and they
6 haven't said anything differently at this point, that's a
7 loss of about 2,000 stalls, where horses now train virtually
8 year round.

9 Add to that the fact, and there are Magna
10 representatives here, San Luis Rey is, right now, a training
11 facility. Let's call it 500 horses. I don't think it's any
12 secret that, for the right price, San Luis Rey can be
13 purchased, and they will then no longer, given the value of
14 that real estate, and what might be done with it, be
15 available as a training facility maybe sometime next year,
16 maybe sometime for the whole 2008 calendar.

17 Add to that the complexity that right now the two
18 sites that seem to be the most likely to be a racing or
19 slash training facility are Los Alamitos or Fairplex.

20 Commissioner Moss correctly pointed out a Los
21 Alamitos representative is here, that that's an 18- to 24-
22 month window to convert either of those facilities to major
23 league status, defined as a one-mile synthetic surface, with
24 an inner grass course.

25 So now -- but nobody can go ahead and start

1 building, let alone the local permits. Long-term racing
2 dates have to be assigned, legislation has to be changed.
3 Del Mar can't race another week right now, if they wanted
4 to, nor can Los Alamitos. There's only seven weeks
5 allocated to the southern zone.

6 So not only does this Board have to decide what's
7 in the best interest of multi-year, long-term dates, but you
8 have to go to Sacramento and get the law changed to, for
9 example, allow a Magna to race a 23-week meet. Certainly,
10 to allow Del Mar to even race one more week, let alone a Los
11 Alamitos.

12 Those things take time and those things assume
13 there's no opposition to those plans. And I haven't even
14 talked about the financing that needs to be in place before
15 that shovel is put into the ground, that certainly either a
16 Los Alamitos or a Fairplex is going to want to know they
17 have long-term dates, and the law has been chaptered to
18 allow them additional weeks.

19 So as much as Commissioner Moss pointed out the
20 urgency of this, I think it's understated. April of 2007,
21 at least in Fairplex's mind, is a time where it is really
22 questionable whether at least Fairplex can be converted to
23 the kind of facility that everybody wants to see, let alone
24 a Los Alamitos.

25 And when you take Hollywood Park, at 2,000 stalls,

1 San Luis Rey, at 500, Fairplex, because if you're going to
2 expand Fairplex to a mile track and inner grass course, you
3 might be able to stable some horses there, but they're not
4 going to have a place to train. Now, you're short 4,000
5 stalls, and you only have Santa Anita to train at, other
6 than Del Mar when they're running their summer meet.

7 So I want to second everything Commissioner Moss
8 said. I think, and it's not a criticism of this Board, or
9 anybody in the audience, I think we are behind the eight
10 ball right now and we need to put on a full court press in
11 this industry, and this Board needs to decide what's in the
12 best long-term interest of the industry, or this industry's
13 going to be caught with its pants down, and those people
14 that own horses are going to be the most affected.

15 So I appreciate the chance to talk, Commissioner
16 Moss, and all of you, and I'd be glad to answer any
17 questions.

18 COMMISSION CHAIRPERSON SHAPIRO: Well, I have to
19 tell you that I certainly echo everything that Commissioner
20 Moss said and what you've said, Cliff.

21 Last year, as most everybody in this audience I
22 think knows, we tried to address looking at multi-year
23 licenses, we tried to address this.

24 Unfortunately, there has been an ambiguity and a
25 lack of urgency that has been prevalent and has not allowed

1 us to move forward. I don't believe any member on this
2 Board wants to see Hollywood Park cease to be a race track,
3 and I don't believe that Mr. Liebau wants to see Hollywood
4 Park cease to be a race track.

5 But the fact remains that the economics may not
6 allow it to be a race track unless we achieve significant,
7 immediate mitigation, which is something that this industry,
8 I hope, will move forward in unity to try to achieve.

9 But also, we have to recognize that, as you said,
10 we need to get the law changed. The law needs to be changed
11 so that this Board has the flexibility to allocate dates.

12 Right now, if we wanted to, we can't, as you've
13 said, we can't allocate dates, anymore dates to Santa Anita,
14 to Del Mar, to Los Alamitos, anywhere, the law is too
15 specific.

16 And unfortunately, I think, that every member
17 that's out in the audience, that's a stakeholder, holds what
18 they think is, and they probably are right, they have a veto
19 card.

20 So what we have to somehow do is get in a room and
21 agree of what these alternatives are going to be, and we
22 need to agree to pursue them, and pursue them vigorously and
23 quickly, so that every option could be available.

24 And again, at the top of the list of my list is
25 keeping Hollywood Park as a viable race track.

1 MR. GOODRICH: And let me, if I may, add another
2 option. If it is so be that Hollywood does cease to exist
3 at the end of 2008, Fairplex doesn't think a line has to be
4 drawn in the sand. Maybe as a catalyst, for example, we
5 know Hollywood Park would like to have the ability to
6 continue to be a satellite facility. Assuming the rest of
7 the industry concurs, and agreements can be reached, I'll
8 guarantee you, you can get a law passed in Sacramento that
9 allows them to be just that. Maybe for a period of time, if
10 we do get slots, as long as Hollywood is willing to
11 contribute to the industry on some basis, maybe the industry
12 wouldn't mind Hollywood doing their slots as if they were a
13 race track, but contributing at least money from purses from
14 that, so that Hollywood isn't totally out of the industry.

15 Maybe through giving Hollywood some goodies, if
16 they tend to exit or want to exit from the industry, maybe
17 that's a way to bring an agreement about.

18 Because if you don't have everybody on the same
19 page in Sacramento, as you just said, there's a veto card.
20 And when you start talking April of 2007, if those veto
21 cards are exercised, nothing's going to happen and then
22 we're really in sad shape.

23 COMMISSION CHAIRPERSON SHAPIRO: Well, I think
24 it's not secret that our best chance, and what's coming down
25 the pike, is probably some form of mitigation as these

1 compacts, as these indian compacts are going to be
2 considered when the Legislature is back in session. And I
3 think it's incumbent upon those in this industry to band
4 together to try and achieve the mitigation that we need to
5 save this industry, and I'm hoping it will be sufficient to
6 save Hollywood Park, and allow Hollywood Park to be
7 refurbished and rebuilt so that it can be a premier race
8 track, and attract fans, and everything else that it
9 desperately needs to do.

10 But again, I'm in total favor of moving this
11 forward. We had Strategic Planning meetings last year. I'm
12 more than in favor -- you know, I believe we should continue
13 those. We need to do it, but we're going to need the
14 stakeholders in the room to come together, and that means
15 we're going to need every option there to try and work out
16 those.

17 MR. GOODRICH: And other than time, there is
18 nothing lost if mitigation occurs or Hollywood decides, on
19 some basis, that they're going to stay in the racing
20 industry. You've spent a lot of time for nothing, perhaps
21 in the end, but right now we don't even have an alternative
22 and we need to have one.

23 COMMISSION CHAIRPERSON SHAPIRO: Well, picking up
24 on Commissioner Moss's viewpoint, I think that we should
25 probably continue the strategic planning discussions that

1 we've had. I think we need to implore everybody in the
2 industry to recognize that, as you said, we are behind the
3 eight ball, we are late. And we're going to have to make a
4 concerted effort, as an industry, in Sacramento, beginning
5 January, so that we can have the flexibility to survive and
6 not lose the training facilities, nor the race tracks.

7 So I think that we will schedule some meetings and
8 try to move this along, and I plead that everybody in the
9 industry will participate in good faith.

10 MR. GOODRICH: Thank you for giving me the
11 opportunity to address you.

12 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Is
13 there anybody else that chooses to address this issue?

14 All right, then we will move on. I believe we are
15 now at Item Number 14.

16 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
17 CHRB staff.

18 The proposed amendment to Rule 1536 will provide
19 that a report that all on-track accidents involving jockeys
20 shall be forwarded to the Board as an attachment to the
21 steward's minutes. The accident report shall be made on the
22 jockey accident report, which is a new form that's included
23 in the package, and this is incorporated in the regulation
24 by reference.

25 This amendment is in response to Assembly Bill

1 1180, statutes of 2005, that was passed, and it provided
2 that the stewards shall investigate and prepare a report
3 with respect to all on-track accidents involving jockeys.

4 The amendment has been noticed to the public for
5 the 45-day comment period. Staff received no comments on
6 the proposal and we would recommend that the Board adopt the
7 amendment as presented.

8 COMMISSIONER HARRIS: I think we should adopt it.
9 But also, California OSHA requires a lot of different
10 reports for injuries, and it's kind of a gray area with
11 jockeys who their employer is. But somebody should be
12 filing these on behalf of OSHA, too, so I'd suggest you
13 check with Cal-OSHA and see how they want to handle it, as
14 well.

15 STAFF SERVICES MANAGER WAGNER: I will check with
16 Cal-OSHA to see what the requirements are.

17 Again, that's not included in this proposal.

18 COMMISSIONER HARRIS: But anyway, I'll move it.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay, it's moved.
20 Is there a second? Any other discussion?

21 There being none, all those in favor?

22 (Ayes.)

23 COMMISSION CHAIRPERSON SHAPIRO: It's passed.

24 Item Number 15, discussion and action by the
25 Board. Okay.

1 ASSISTANT EXECUTIVE DIRECTOR SMITH: Richard
2 Smith, Assistant Executive Director.

3 Mr. Chairman and Commissioners, Business and
4 Professions Code Section 19427 et sec, state in part that
5 the Board shall appoint employees to carry out the
6 provisions of Division H, Chapter 4 of the Business and
7 Professions Code.

8 This action would grant the Executive Director and
9 the Assistant Executive Director authority to act on behalf
10 of the Board to execute all writings necessary for the
11 orderly transaction of the Board's business.

12 The action will also authorize the Board's
13 Executive Director, Assistant Executive Director, Management
14 and Administrative Staff to perform such acts necessary for
15 the Board's day-to-day operation and to fulfill the Board's
16 duties and responsibilities, including, but not limited to,
17 all necessary administrative functions.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

19 ASSISTANT EXECUTIVE DIRECTOR SMITH: There's an
20 associated order with that for you to sign.

21 COMMISSIONER HARRIS: That would have been nice if
22 that had been part of the package, but it wasn't. But I
23 don't have a problem with it, if it's what I think it is.
24 But it sounds pretty broad. I mean, could we find --

25 COMMISSION CHAIRPERSON SHAPIRO: I will read the

1 order and --

2 EXECUTIVE DIRECTOR FERMIN: This is just adding
3 the Assistant Executive Director onto what has already been
4 in place. It's just because Bond is new, we need to have
5 him with an order from the Chair.

6 COMMISSIONER HARRIS: That's the intent, it's
7 good.

8 COMMISSION CHAIRPERSON SHAPIRO: Do you need me to
9 read it?

10 COMMISSIONER HARRIS: That's all right. I wasn't
11 sure it was just adding. Because I'm not -- one of the big
12 issues is just who does what, like which stays, for
13 instance, on the Chairman is the one that gives the stays.
14 So I don't know if we're delegating things like that to
15 other people or not?

16 EXECUTIVE DIRECTOR FERMIN: Oh, no.

17 COMMISSION CHAIRPERSON SHAPIRO: We're essentially
18 adding Bond Smith to it.

19 All those in favor?

20 (Ayes.)

21 COMMISSION CHAIRPERSON SHAPIRO: It's approved.

22 Okay, are you doing the staff reports? Okay, end-
23 of-meet reports.

24 ASSISTANT EXECUTIVE DIRECTOR SMITH: Once again,
25 Richard Smith, Assistant Executive Director.

1 Included in your packet, Item 16, pages 1 through
2 27, are the end-of-meet reports for Sonoma County Fair, San
3 Mateo County Fair, Humboldt County Fair, Del Mar
4 Thoroughbred Club, Los Angeles County Fair, Sacramento
5 Harness, at Cal-Expo, Oak Tree Racing, and the Fresno
6 District Fair. These are for the meets, the five fairs that
7 ran from late July through mid-October. The Sac Harness
8 meeting from January through July of '06, last summer's Del
9 Mar meeting, and the recent Oak Tree at Santa Anita.

10 COMMISSION CHAIRPERSON SHAPIRO: Thank you. I
11 note that there's no commentary, there's no steward's
12 report, there's nothing in here that deals with any
13 narrative, all these are, are statistics, and they're not
14 pretty.

15 So what I think that what we need to do is find a
16 way to insist that we get a report from the racing
17 association, a report from our stewards, from our
18 investigators. And I think it would be more useful to us if
19 we were -- if, in our packets, we received those.

20 COMMISSIONER HARRIS: Yeah, it might be good,
21 there is a pretty part of this is the Big Fresno Fair, and
22 Dan White is here from there, and it might be good to say a
23 few words about one that was up rather significantly.

24 EXECUTIVE DIRECTOR FERMIN: I would like to say,
25 he did send us a letter to that effect, but it came late, so

1 it wasn't included in your package.

2 COMMISSION CHAIRPERSON SHAPIRO: And I want to
3 amend my comment to both Sacramento Harness and Fresno, that
4 were up, and you're right, those are pretty.

5 Go ahead.

6 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
7 CHRB staff.

8 Commissioner, I just wanted you to notice I did
9 try to get those reports to you. I had them overnighted to
10 your home, I believe, or your office. You did not receive
11 any of those packages?

12 EXECUTIVE DIRECTOR FERMIN: I think what happened
13 was, because of the holiday, because I know mine came, or a
14 notice for mine came, but they came on Friday, nobody was
15 there, and so they don't deliver on Saturday/Sunday and,
16 consequently, they were not delivered.

17 STAFF SERVICES MANAGER WAGNER: I will make sure
18 that you get those.

19 COMMISSION CHAIRPERSON SHAPIRO: And make sure
20 that all the Commissioners get those.

21 STAFF SERVICES MANAGER WAGNER: Absolutely,
22 absolutely.

23 COMMISSION CHAIRPERSON SHAPIRO: Okay. Mr. White?
24 And I want to thank you for coming down from Fresno to tell
25 us about your meet.

1 MR. WHITE: Thank you for the opportunity to be
2 here. Again, my name is Daniel White, I'm Director of
3 Racing for the Big Fresno Fair.

4 On behalf of the Fresno Fair, I'd like to thank
5 you for the opportunity to allow us to race in the 2006
6 year.

7 During 2006, an 11-day meet, we entertained more
8 than 90,000 people. And you have the numbers in front of
9 you, which I think they speak for ourselves. It was a very
10 positive meet. Our horse population was fantastic this year
11 and things went very well.

12 Additionally, with funding through CARF, we were
13 able to make numerous capital improvements, which included
14 upgrades to the back side restaurant, the racing secretary's
15 office. We've added sprinkler systems to the inside of our
16 track to keep it a greener look. We've also been making
17 improvements to the tack rooms. To our second floor we've
18 added some rock work. And we're continuing improvements on
19 the second floor.

20 The Big Fresno Fair, we're excited about racing in
21 the year 2007 and continuing our 123 years of tradition.
22 This has become a huge event in Fresno.

23 We would appreciate the opportunity to run,
24 without being overlapped. This is -- this would just put us
25 on a level playing field and I think that, if given the

1 opportunity, we'll show you what we can do.

2 And I thank you for your time in allowing me to be
3 here.

4 EXECUTIVE DIRECTOR FERMIN: Congratulations.

5 COMMISSION CHAIRPERSON SHAPIRO: Thank you,
6 Mr. White, you do a great job. And you and I met yesterday,
7 and we chatted for a few minutes. One of the things that we
8 should look at is Fresno doesn't get to be the host for its
9 meet, and I'm not really sure why that is and what needs to
10 be done to change that.

11 COMMISSIONER HARRIS: That's a legislative problem
12 but, hopefully, we can get legislation that better addresses
13 that.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay. Well, I
15 mean, clearly, you're doing a great job, and a good effort,
16 and given our discussion yesterday, I'm certainly receptive
17 to try and help to see that that happens.

18 MR. WHITE: Appreciate that.

19 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

20 Okay, we're up to general business.

21 MR. CHILLINGWORTH: Mr. Chairman?

22 COMMISSION CHAIRPERSON SHAPIRO: Yes, sir.

23 MR. CHILLINGWORTH: If I could say me, too.

24 Sherwood Chillingworth, Oak Tree. We were up five percent
25 on on-track attendance, 1.3 percent on-track handle. And I

1 think we were one of two race tracks in Southern California
2 that were up in on-track attendance and handle. So I don't
3 want to be left out of the milieu here.

4 COMMISSION CHAIRPERSON SHAPIRO: Mr.
5 Chillingworth, you are never left out.

6 MR. CHILLINGWORTH: Thank you.

7 COMMISSION CHAIRPERSON SHAPIRO: We stand
8 corrected -- I stand corrected.

9 MR. CHILLINGWORTH: I want to point out one thing,
10 which I think is cogent, is that it cost a lot of money to
11 do this, and we spent as much money on marketing in five
12 weeks, as we spent on six weeks of marketing in the prior
13 year. So it's not an inexpensive chore to try and do this.

14 And for a track that's -- has a shareholder
15 involved, maybe not be as pleased as our directors were. So
16 I think everybody else has to keep that in mind, it does
17 cost money to do the marketing these days and to get that
18 kind of increase. Thank you.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, it pays
20 off.

21 MR. GOODRICH: Mr. Chairman, I know the day is
22 late, but Mr. Henwood -- Cliff Goodrich, for Fairplex --
23 wanted to stand before you today and at least give you
24 highlights of the Fairplex meet, which I'll do in about 30
25 seconds, okay.

1 Like the gentleman from Fresno and Mr.
2 Chillingworth, Fairplex was up for the third straight year.
3 People think of little old Fairplex, it's actually the tenth
4 largest average daily handle track in the United States of
5 America, so it's not as small as people think, it just
6 always gets compared to the big guys out here in California.

7 They increased their advertising budget 30
8 percent, they attribute a lot of their success to that.
9 They only had one breakdown out of 1,355 starts. And the
10 trend line at Fairplex is really a great story.

11 And so at least I said I'll keep it under a
12 minute. I did, but they had a very successful meet.

13 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

14 I already gave you kudos.

15 MR. SCHICK: You did and I appreciate it, but I'm
16 following some good company, I'd just take one minute of the
17 Board's time.

18 We had a good meet through July, we were up just
19 short of 14 percent, 13.2 percent on-track, our in-state was
20 up 9.9. Out of state up, ADW up. So it was all good
21 through July.

22 I just want to inform the board, our current meet
23 is tracking very favorably and right now we have more horses
24 in our backstretch than have been in the Standard Bred
25 industry in the last ten years. So the future from our

1 horse population is looking really good, and we're really
2 happy, and the staff worked real hard to produce those
3 results.

4 COMMISSION CHAIRPERSON SHAPIRO: Thank you.
5 Anybody else want to comment? Okay.

6 All right, is there any general business to come
7 before the Board? None?

8 Any old business? I don't see any.

9 Then I'll entertain a motion to adjourn the
10 meeting.

11 COMMISSIONER MOSS: So moved.

12 COMMISSION CHAIRPERSON SHAPIRO: So moved,
13 seconded. All in favor?

14 (Ayes.)

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you very
16 much.

17 (Thereupon the California Horse Racing
18 Board meeting adjourned at 1:45 p.m.)

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CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California Horse Racing Board meeting was recorded under my supervision, transcribed in typewriting, and thereafter personally proofread by me, James F. Peters, a Certified Shorthand Reporter of the State of California.

I further certify that I am not of counsel or attorney for any of the parties in this matter, nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this:

December 1, 1906

Date

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